



## Natasha goes to market

Free enterprise has come to Armenia and sex is one of the best-selling products. Nicholas Woodworth meets some of the merchants ..... Page 1



## Skiing the jaws of hell

On the slopes of the Eiger, one of Europe's most dangerous mountains ..... Page VIII  
What's chic on the piste this year ..... Page VII

## Peering through the gloom

Economists Peter Oppenheimer and Giles Keating analyse prospects for world markets ..... Page III

EUROPE'S BUSINESS NEWSPAPER

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## WORLD NEWS

## Palestinians threaten peace talks boycott

Angry Palestinian negotiators yesterday suspended plans to travel to Washington for next week's resumed Arab-Israeli peace talks.

They said they were considering a boycott in protest against Israel's decision to expel 12 Palestinians from the occupied territories. The Palestine Liberation Organisation said the talks could be at risk unless the US and UN forced Israel to call off the deportations. Page 32

## Tentative Croatia truce

Fighting appeared to ease in Croatia at about 6pm yesterday, the time agreed for a ceasefire between the Serb-led federal army and Croatia's National Guard. In several frontline towns, the guns fell silent on the stroke of 6pm. Serbs in push for rump Yugoslavia. Page 2

## Casualties fly to Florida

A Russian-made helicopter carrying 24 Cuban asylum-seekers landed at a suburban airport in Florida.

## Chadian soldiers hurt

At least 150 Chadian government soldiers were wounded and an unknown number killed in fighting at towns taken by rebels loyal to ousted president El Hadj Madaoui.

## Tensions over East Timor

Indonesian protesters to Australia after a Canberra protest banned Indonesian nationalists during a protest about November's Indonesian army massacre in East Timor.

## Italian police kill 8

One man was killed and more than 40 injured in a second pile-up on Italy's A-1 Autostrada del Sole motorway. The accident came hours after the main north-south road was cleared of wreckage from a Thursday night pile-up in which seven people died and more than 100 were injured.

## Unlucky murder

A Roman Catholic priest died at his butcher's shop in May County, Tyrone, became Northern Ireland's first murder victim of 1992. Detectives believe he was the victim of a loyalist revenge attack. A second man was seriously wounded and a 10-year-old girl injured.

## Gloom over economy

Almost two thirds of people believe the UK economy will not recover until at least next year, according to a Gallup opinion poll for investment management group Cautious. Only 1 per cent think the recession is already over.

## Embassy said to send

President Bush, in Singapore on a four-nation Pacific tour, is expected to lift the 16-year-old US trade embargo on Cambodia. The move is in recognition of Cambodia's progress towards peace and free elections. Page 2

## Scientist killed in lab

A scientist in a California laboratory was killed and three others hurt during the same period last year, says the Central Statistical Office. Page 4

## Parliamentary election

Italian Finance Minister Ciriaco De Mita, arrested a week ago on suspicion of tax evasion, started a hunger strike after a judge in Sicily rejected his request for bail.

## BUSINESS SUMMARY

## GrandMet to take outright control of Cinzano

Grand Metropolitan, UK drinks, food and retailing group, is to acquire Cinzano, the Italian vermouth and wine company, in which it already holds a 25 per cent stake.

The outstanding shares will be bought from the Cinzano Merano family, which has owned the company since 1878, and the investment company of the Agnelli group, in a deal estimated at between \$20m and \$100m. Page 8

## POWER INDUSTRY: The

Labour party said it was prepared to give up part, or all, of the government's 49 per cent stake in the UK's two electricity generating companies in order to regain control of the national grid without increasing public spending. Page 23 and Lex

## FIRST NATIONAL Finance

Corporation, consumer finance and commercial banking group, plunged to a pre-tax loss of \$33.7m in the year to October 31 after making provisions of \$12m against bad debts on second mortgages and other lending. Page 5; Lex, Page 22

## BCCI: The winding-up of Bank

of Credit and Commerce International, closed by regulators six months ago, was triggered by the Luxembourg district court which ordered the liquidation of BCCI SA. This is not expected to interfere with talks over a compensation scheme for the bank's depositors. Page 1

## US COMMERCE Department

announced a 0.5 per cent increase in US manufacturers' orders for November, but the rise was slower than in October and left new orders lower than the level reached this summer. Page 2

## SUPERMARKET chains and

other stores which opened on Sundays before Christmas are trying to force staff to sign new contracts of employment in order to avoid paying premium wage rates on Sundays, shopworkers' union Unleash claimed. Page 4; Salisbury price-cutting campaign, Page 4

## BUILDING EMPLOYERS' Con-

struction warned that oversupply and depressed rental demand are preventing any real prospect of recovery in the commercial construction market before the mid-1990s. Page 3

## GERMANY'S leading economic

institutes have sharply reduced growth forecasts for 1992 and industrial confidence has plummeted, say researchers at the Institut der Deutschen Wirtschaft. Page 2

## ESOPs: The government is

coming under growing pressure to relax the conditions on statutory ESOPs (employee share option schemes) following the poor take-up since their introduction in 1989. Page 4

## INSURANCE and pension

funds' total net investments during the third quarter of 1991 fell by 2 per cent to nearly \$3.4bn over the same period last year, says the Central Statistical Office. Page 4

## HYUNDAI group founder and

honorary chairman Chung Ju-yung has retired from business to start a new venture in South Korea, believed to be a political party. Page 10

## KENYA'S private sector is

taking advantage of a partial liberalisation of the foreign exchange controls to repatriate blocked dividends and pay for imports. Page 3

# Maxwell directors told of cash transfers

By Robert Peston

NON-EXECUTIVE directors of Maxwell Communication Corporation were told three months before his death that Mr Robert Maxwell had transferred \$270m in cash from the public company to his private interests.

The bulk of transfers took place between March 31, the end of MCC's financial year, and July according to an investigation carried out by Price Waterhouse, the accountants acting as administrators to MCC under UK insolvency law.

Mr Peter Laister, chairman of MCC and one of the non-executive directors, confirmed to the Financial Times yesterday that MCC's finance director, Mr Basil Brookes, had informed the non-executives of the transfers in August.

Mr Brookes had become alarmed at the size of the debt owed by Mr Maxwell's private companies and had been monitoring it "for a few weeks", Mr Laister said.

A government official with a close knowledge of the enquiry said the Serious Fraud Office (SFO) would be looking at the issue of why the non-executive directors did not tell MCC's shareholders in the summer about the transfer of funds out of MCC.

The SFO said yesterday it would be investigating all aspects of the removal of cash and investments from MCC, as part of its probe into the collapse of the Maxwell empire.

Mr Laister said he was convinced that none of the non-executives was "party to anything associated with wrongdoing".

Though much of the loan by MCC was repaid by Mr Maxwell, the transfers have contributed to a reduction in MCC's net worth of at least \$1bn and represent a substantial factor in the collapse of the Maxwell empire.

Under company law and stock exchange rules, shareholders normally need to be informed if a public company enters into a financial transaction with one of its own directors. In some cases, shareholder approval is required.

Mr Laister said he took legal advice from an independent firm of solicitors, Macfarlanes, when told about the inter-company loan. "If we had been advised that we needed to make an immediate shareholders' declaration, we would have done so. We were never advised that," he said.

"We were particularly concerned to make sure there were no breaches of the Financial Services Act." So the non-executives obtained letters from Mr Robert Maxwell and his son Mr Kevin Maxwell saying that the funds were not being used to purchase MCC shares.

It is illegal for a company to facilitate the purchase of its own shares without obtaining shareholder approval.

Mr Laister said the non-executives had been advised that the priority was to secure repayment of the funds. At a board meeting, they received a commitment from Mr Robert Maxwell that it would be repaid.

He said they were told in the autumn by Mr Kevin Maxwell that the amount owed by the private companies had fallen to nothing. In the event, there was still \$73m outstanding. In addition to these cash loans, there were other inter-company debts. Including these, the private companies owed MCC more than \$500m in July.

Price Waterhouse has told banks, owed \$1.3bn, that the pressure put on Mr Robert Maxwell by the non-executives to repay the loans to MCC may have led him to extract funds from his public companies' pension funds.

"We may take legal action against the directors," a banker said.

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## Political battle over education intensifies

By John Willman and Alison Smith

THE political battle between the Conservatives and Labour intensified yesterday with the announcement of rival plans to improve reading standards in schools.

Details of government support for pilot projects to help poor readers were leaked out hours before Labour was due to announce plans for a national reading recovery programme.

The renewed interest in education follows the results of the first nationwide tests of seven-year-olds in England and Wales, which showed that more than a quarter had difficulty reading.

Labour's education spokesman Mr Jack Straw blamed 12 years of Conservative government, while Mr Kenneth Clarke, the education secretary, declared war on "progressive" teaching methods. Continued on Page 22

Taking a leaf out of Dame Marie's book, Page 4

# Gunmen open fire on Tbilisi demonstrators

By Neil Buckley in Tbilisi

MASKED gunmen from a Georgian opposition group opened fire on an unarmed crowd demonstrating in support of President Zviad Gamsakhurdia in Tbilisi yesterday, killing at least one person and wounding six.

Two of the gunmen were captured by demonstrators and one was beaten to death.

Earlier, Mr Gamsakhurdia, who has been besieged in a bunker beneath the Georgian parliament for 13 days by opposition forces denouncing him as a dictator and demanding his resignation, made repeated radio broadcasts to the nation.

He called for a general strike and campaign of civil disobedience against the opposition, which declared on Thursday that it was seizing power.

Some reports said the president had also appealed to Georgian men aged between 20 and 45 to come to the capital and defend his government.

Mr Gamsakhurdia was yesterday facing a second ultimatum from the opposition. It had given him until midnight last night (Sun GMT) to resign or risk an all-out assault on the government building. The president showed no sign of complying with the demands.

Rumours and panic spread through Tbilisi after the shooting outside the Didube railway station in the city's eastern suburbs.

More than 2,000 demonstrators had been listening to speeches and lighting candles in tribute to Mr Gamsakhurdia, in defiance of an opposition ban on public meetings.

About 13 men, armed with Kalashnikov rifles and with their faces masked, arrived in three unmarked vehicles. The gunmen were believed to have been members of the Mkhedroni or Knights of Georgia, which describes itself as a patriotic group devoted to the defence of human rights and ethnic minorities, and is one of the largest groups in the loose opposition alliance.

They first fired shots into the air, apparently intending to frighten and disperse the demonstrators. However, when one section of the crowd started to move towards them, pelting them with rocks picked up from a railway embankment, the gunmen panicked.

One group left by car as another fired a smoke bomb and, when the demonstrators continued to advance, opened fire into the crowd with their automatic weapons.

One of the captured gunmen was thrust into the back of a nearby minibus. The crowd continued to hurl stones and Continued on Page 22

## Boost for London shares as sterling worries recede

By Peter Marsh and Alison Smith

SHARE prices in London last night closed at their highest level since mid-November, as worries about sterling receded and large investors took an optimistic view of economic prospects.

The developments will have cheered ministers, who in the run-up to the election will be looking for bullish sentiments from financial markets to help convince voters that the economy is on the mend.

Helped by a firm opening on Wall Street, the FT-SE 100 index of leading London shares closed up 11.3 at 2,504.1. In New York around noon, the Dow Jones Industrial Average was quoted at 3,184.48, a gain of 12.07.

In foreign exchange trading, the pound closed last night in London unchanged

Currencies.....Page 11

London stocks.....Page 13

Lex.....Page 22

Markets.....Weekend II

against a weak D-Mark at DM2.8550, increasing expectations that the Treasury might be able to ride out the next few weeks without a politically damaging rise in interest rates.

The continuation of the rally in London stocks over the past two weeks, during which the FT-SE index has put on nearly 150 points, was aided by strong buying pressure from pension funds and other big institutions. Heartened by forecasts of a big increase in corporate profits this year as the economy gradually recovers, many large investors bought heavily

in stocks such as brewing, publishing and chemicals.

On currency markets, the pound suffered little selling pressure. That damped speculation that the government might have to follow the lead of other members of the European exchange rate mechanism and tighten borrowing rates to stop the pound falling to its effective ERM floor at about DM2.84.

Mr John Maples, the economic secretary, attacked the analysis by Labour that the tax burden had risen under the Tories. He said that though the tax burden had risen very slightly at all levels, living standards had risen sharply over the past 12 years, and Labour's public spending plans would be bound to raise the tax burden.

Labour's public spending plans would be bound to raise the tax burden.

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## MARKETS

STOCKS	DOLLARS	STOCKS
New York lunchtime:	New York lunchtime:	FT-SE 100:
\$1,547.78	DM1,544.5	2,504.1 (+11.3)
London:	FF5,276	FT-A All-Share:
\$1,045.1 (1.82%)	SPT 37805	1,193.57 (+0.4%)
DM2,325 (1.94%)	Y124.735	FT-SE Eurotrack 100:
S&P 500 477.97	London:	1,087.01 (+8.82)
\$97.24 (2.25%)	DM1,540.5 (1.52%)	New York lunchtime:
Y124.735 (2.25%)	FF5,277.6 (5.22)	DJ Ind. Av.
Japan 81.4 (51.8)	SPT 378.75 (1.96%)	3,184.48 (+12.07)
DM2.85	Y124.85 (124.85)	S&P Comp
New York Comex Feb:	S Index 61.7 (60.7)	417.08 (+0.17)
Mar 1.3 (33.2)	US LUNCHTIME RATES	Tokyo: Nikkei
\$22.45 (2.25%)	Fed Funds: 4 1/4 %	Closed.
3-mo T-bill (Aug):	3-mo Treasury Bids:	LONDON MONEY.
\$18.25 (1.75%)	3.95%	9-month Interbank:
	Long Bonds:	1 1/4 % (10.75%)
	100%	Libor 3-mo bid:
	yield: 7.47%	Mar 08 1/2 (Mar 08 1/2)

Chief price changes: continuing Page 22

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## INTERNATIONAL NEWS

# West shelves threat of sanctions against Libya

By Lionel Barber in Washington and Mark Nicholson in London

THE US, Britain and France have shelved plans to seek United Nations sanctions against Libya for its alleged role in the Lockerbie bombing, western diplomats said yesterday.

The tactical retreat, led by the US, follows soundings within the 15-member UN Security Council, which revealed that several countries had reservations about supporting sanctions.

A diplomat involved in the discussions said that no final decision on future action had been made, but it was clear that "sanctions are not going to move very quickly" within the Security Council.

The US, Britain and France are instead preparing to draw up a resolution demanding that Libya hand over agents accused of planting bombs on both the Pan Am flight which exploded over Lockerbie in 1988 and a French UTA airliner

which blew up over Niger the following year.

Drafts circulating at the UN headquarters in New York yesterday reiterated previous demands for Libya to hand over the suspects, while condemning the mid-air bombings.

Libya denies any part in the bombings, but has detained the two agents accused of masterminding the Lockerbie bombing and says it is holding its own inquiry into the case. It has also invited western judges to Libya for any trial of the two men.

However, Britain and the US insist that the men be handed over to a "competent court", either in Scotland or the US.

If Libya fails to comply, the three allies are likely to seek further steps through the UN, including possible sanctions such as a halt to all international flights to and from Libya and banning the

sale of commercial aircraft, spare parts and airline-related equipment. Tougher measures such as a boycott of Libyan oil are possibilities.

Although Britain and the US have refused to rule out possible military action against Libya over the bombings, a British official yesterday conceded that the Security Council was unlikely to pass any resolution advocating force.

British officials were yesterday at pains to play down the thrust of reports in the Washington Post and reported comments from diplomats in Cairo suggesting that sanctions against Libya had been ruled out absolutely.

"There is no weakening of resolve on this issue whatsoever," said one. "Britain, France and the USA are determined to bring this affair to a satisfactory conclusion."

## Easier exchange controls boost Kenyan business

By Julian O'Sullivan in Nairobi

KENYA'S private sector is taking advantage of a partial liberalisation of the hitherto strict foreign exchange controls to repatriate blocked dividends and pay for imports.

Nairobi bankers and businessmen said yesterday that the freely convertible foreign exchange certificates of deposit, introduced by the government last October under its structural adjustment programme, had given the private sector a small boost of confidence in an otherwise gloomy economic environment.

According to bankers at least \$6m-\$7m of the certificates have already been issued by the Central Bank of Kenya and about half have been redeemed. Demand for the certificates is high among foreign banks and companies desperate to repatriate an estimated \$60m (\$33m) of dividends blocked since 1989

and 1990 and importers previously denied foreign exchange allocations.

An embryonic inter-bank market in the certificates is beginning to develop as commercial banks catch on to the pilot scheme. The certificates are trading at a premium of 12-15 per cent above the prevailing rate of exchange - about 5-10 per cent below the black market rate for the Kenya shilling.

Until the policy was introduced foreign companies had to wait up to 30 months for the Central Bank to unblock their profits which, while earning 17-18 per cent interest, were suffering from a weakening currency. The Kenya shilling depreciated against the US dollar last year by 17 per cent.

So far the scheme has remained limited because the biggest denomination for the

certificates is \$10,000 and few bankers have caught on to trading the certificates. The government has also yet to include the export of goods and services under the regulations.

Furthermore, foreign exchange flowing into the country has slowed to a trickle as donors have suspended aid programmes because of corruption and economic mismanagement, and investors, apart from a few in the tourism sector, remain cautious about the economic prospects. Estimates suggest that Kenya's foreign reserves could be as little as 3-5 weeks of imports.

Kenyan businessmen are hoping that, faced with a critical shortage of foreign exchange in the next four months, the government will stand by, and even expand, the scheme and squeeze public sector imports instead.



Campaigning Bush lashes out at the EC and Japan for protectionism on the last day of his trip to Australia

## US president to announce end of trade embargo on Cambodia

By Lionel Barber, US Editor, in Washington

PRESIDENT George Bush is expected today to lift the 16-year-old US trade embargo on Cambodia in recognition of the progress toward peace and free elections in the country once ravaged by the Khmer Rouge.

The announcement would mark a further step toward laying the legacy of the Vietnam war to rest, and Mr Bush is expected to unveil it in a speech in Singapore, the second stop on the president's four-nation Pacific tour.

Mr Bush has made expanded trade with the region his top priority during his 12-day trip, but he arrived in Singapore yesterday prepared to deal mainly with security issues stemming from the forced US withdrawal from Subic Naval Base in the Philippines.

Mr Bush is looking to Singapore to help fill the gap, allowing the US to show its Asian allies that it intends to retain a major military presence in the region despite the end of the Cold War.

One specific US proposal is

to move its Naval Task Force Command headquarters from Subic Bay in the Philippines, including the relocation of up to 300 personnel which form the Seventh Fleet's logistical unit.

Mr Bush will raise the issue in talks today with Singaporean President Wee Kim Wee and Mr Goh Chok Tong, the prime minister. Initial signs are encouraging that an agreement can be reached, according to a senior US official.

The official said: "We're coming here to an end of one age and the beginning of another in terms of the Cold War. It's important to see Singapore as part of a network of basing facilities around the Pacific."

If the two sides reach agreement it would expand their 14-month-old bilateral pact allowing the US expanded rights to use Singaporean bases. The US is also expected to approach Malaysia and Thailand to open their ports, boosting a security

network that already includes Japan, South Korea, Guam and Hawaii.

During his visit, Mr Bush will also meet Mr Lee Kuan Yew, who ruled Singapore for more than 31 years. Mr Lee, who stepped down in November 1990, remains the dominant political presence behind the scenes.

On his first stop in Australia this week, Mr Bush was roasted by farmers complaining about US export subsidies for wheat. But the president, often sounding like a candidate for re-election rather than a head of state, sided vigorously with American farmers and lashed out at Japan and the European Community for protectionism.

Mr Bush is being accompanied on his trip by 21 senior US corporate executives, including the top three Detroit car manufacturers. He has warned several times that he expects trade concessions from Japan, raising alarm in Tokyo where he arrives next week.

The US trade embargo against Cambodia has been in effect since April 1975. After the UN-sponsored peace accords were signed in Paris in November between Vietnam and members of rival Cambodian factions, including the Khmer Rouge, the US sent a special envoy to Phnom Penh to work out peace arrangements and free elections.

Mr Bush's speech will be watched closely for signs that he may be willing this year to lift the trade embargo against Vietnam. The two former adversaries have been edging toward normalisation of relations over the past 18 months, a process slowed by US concern over missing servicemen from the Vietnam war.

● Cambodia said yesterday it would free 400 more political prisoners, but the International Red Cross said Phnom Penh was violating the peace accord by not freeing all such prisoners. AP adds from Phnom Penh.

## Fraud is alleged in Algerian election

By Francis Ghiles in Algiers

ALGERIA'S constitutional court has received at least 300 claims from political parties alleging fraud in last week's first multi-party general elections.

The claims affect 100 out of 430 constituencies. About half have been lodged by candidates of the ruling National Liberation Front (FLN). The FLN polled 1.5m votes, compared with more than 3m for their opponents in the Islamic Salvation Front (FIS). But the FLN won only 15 seats, against 188 for the FIS.

Reuter adds: A Moslem fundamentalist, Abdelkader Meghann, newly elected to parliament, said yesterday that democracy was atheism and Islam offered the only true freedom.

He told Friday prayers: "On December 26 the Algerian people said its last word. It was the victory of Islam and the defeat of democracy, which is pure atheism."

## Lubbers to visit South Africa

Mr Ruud Lubbers, the Dutch prime minister and Mr Hans van den Broek, his foreign minister, will visit South Africa next month.

It will be the first official visit to South Africa by a Dutch prime minister since the 1950s. The two are expected to meet African National Congress leader Mr Nelson Mandela.

Despite cultural and religious ties between the two countries dating from the 17th century, The Netherlands has long been one of the fiercest critics of apartheid.

## More French troops for Chad

France yesterday began to reinforce its five-year-old military presence in Chad, following attacks against the government by rebel forces believed to be loyal to former president Hissène Habré.

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## UK NEWS

# Union claims Sunday work pressure

By Ian Hamilton Fazey, Northern Correspondent

SUPERMARKET chains and other stores which opened on Sundays before Christmas are trying to force staff into signing new contracts of employment in order to avoid paying premium wages as Sunday opening becomes permanent, Udsaw, the shopworkers' union, claimed yesterday.

Udsaw said several large retail employers are trying to follow the example of Woolworth, where all new employees taken on since last April have been on contracts which define Sunday as a normal working day, attracting no overtime payments.

These workers can get time-and-a-half pay for Sunday if

they work 99 hours during the rest of the week, but Mr Pat Jones, for Udsaw, said that most workers were women part-timers who would rarely be called upon to work a full week.

Woolworth employees who were with the company before April get double-time pay for Sundays, irrespective of whether they work Sundays within a 39-hour week. Mr Jones said this can mean workers receiving different pay for the same work in the same store.

He added: "We have evidence that supermarket chains which opened illegally before

Christmas enticed sufficient staff to volunteer by paying double-time - over £30 for five or six hours' work. Now they plan to make Sunday work compulsory for single-time, or at best time-and-a-half. We fear that some employers will simply give three months' notice to staff who won't comply."

Udsaw is particularly angry because retailers who have given evidence to past parliamentary committees on Sunday opening, claimed then that premium payments would make Sunday trading very attractive to staff. Premium payments are also part of a "Shopworkers Charter" drawn up by the Shopping Hours

Reform Council, a pro-Sunday trading pressure group in which Kingfisher, Woolworth's owner, is prominent.

The union will name the retailers concerned on Wednesday, when Mr Jones said store employees would give their accounts of what their employers had proposed to them.

"The extra trade which even the most successful Sunday openers did over Christmas and the new year has not been sufficiently profitable to cover seven-day working with double-time, so now they want to cut Sunday rates. Without paying double-time, they won't get enough volunteers, apart from casual staff," he added.

Udsaw admits some difficulty in organising retail employees, partly because of the increasing number of part-time women joining the workforce.

Recession and joblessness are also on the employer's side, since many employees reason that any job is better than none. Even a place with a strong trade union tradition such as Merseyside may put jobs before industrial action.

The busy Crosby branch of J. Sainsbury, for example, has advertised no local vacancies on its in-store noticeboard for months, with only the company's graduate training scheme seeking recruits.

# J. Sainsbury to cut cost of foods by up to a third

By John Thornhill

RENEWED price skimming is set to break out in the food retailing sector as J. Sainsbury, the UK's biggest grocery chain, revealed yesterday it would be launching an aggressive price promotion campaign on Monday.

Although it will not release details of the price-cuts until tomorrow, the company said it would be discounting some items by up to one-third.

The offer will run throughout this month in J. Sainsbury's 310 supermarkets and its nine Savacentre hypermarkets. The offer will be in addition to the normal price promotions the company has on 1,000 of its 17,000 lines every week.

The move raises the spectre of a full-scale price war in the grocery trade, although some analysts dismissed that possibility.

"It's media-manipulation time again," said Mr Philip Dorgan, food retailing analyst at Goldman Sachs, the US investment bank. It is not in Sainsbury's interests to start a price war, but it is in its interests to be seen to be price-competitive.

Mr Dorgan added that J. Sainsbury might be trying to capitalise on the favourable publicity it received in a recent survey by Which? magazine,

which named the company as Britain's "favourite supermarket".

Other grocery chains have adopted a more aggressive approach to pricing in recent months. In August, Tesco ran a much-publicised "Why Pay More?" campaign. At the end of last year, Gateway set up 15 discount supermarkets under the Food Giant banner.

Although J. Sainsbury traditionally runs a price campaign at this time of year, the cuts are expected to be deeper than usual.

The move seems to be a change of tactic by J. Sainsbury. It has long argued that it does not need specific price campaigns because it is engaged in a permanent state of price competition.

At the time of the group's annual results presentation in November, Lord Sainsbury, chairman, said: "I believe we are in a highly competitive trade and in that sense we are in one long price war."

The move unsettled the City, which marked J. Sainsbury shares down 14p to 369p, while shares of the other leading food retailers were also hit. Tesco fell 7p to 225p, and Argill Group, which runs the Safeway chain, dropped 8p to 274p.

# Main oil companies cut price of petrol

THE main oil companies are hitting back at the supermarket chains by slashing petrol prices in a potential price war, Deborah Hargreaves writes.

Shell, Texaco and Mobil followed rival oil companies Esso and BP in cutting up to 6p from the price of a gallon yesterday.

The cuts follow a sharp decline in the price of oil on world markets - North Sea crude has slipped by \$5 a barrel to \$18.50 a barrel in the past month. But the companies are also trying to win back market share lost to the aggressive pricing policies of the supermarkets.

Supermarket chains Sainsbury and J. Sainsbury yesterday matched Tesco's price of a gallon. Tesco has been the leader in the petrol-price battle and is offering all fuel at less than 22p a gallon.

The supermarkets are now offering fuel at 16p less than the main petrol-station chains. The supermarkets are charging 158.2p a gallon for unleaded fuel and 159.6p for four-star. This compares with oil company prices of 198.6p for unleaded and 216p for four-star.

# Gold and currency reserves up \$382m

THE underlying level of Britain's gold and foreign currency reserves rose by \$382m (£212.2m) last month, boosting the government's resources to defend the pound.

The rise, which was larger than expected, takes into account proceeds of \$335m from sales to the public of BT shares, and \$100m from other countries in payments towards the costs of the Gulf war.

It is thought the Bank of England intervened modestly on currency markets in December to support sterling, spending \$50m from the reserves. More intervention might become necessary should the pound continue its weak showing of recent weeks.

The overall level of the reserves, which takes into account areas such as Treasury bill transactions, rose by \$211m in December, bringing the total at the end of 1991 to \$44.18bn.

# Conference shop planned for north

A ONE-stop shop for conferences in northern England was launched yesterday by Mr Bernard Owen, head of Greater Manchester's conference bureau.

The Northern Conference Bureau will offer nearly 500 venues in an area spanning Liverpool, Manchester, Leeds, Bradford, Sheffield and Hull. It will keep updated information on conference facilities.

# Ports police seek judicial review

THE PORT of London Police Federation is seeking a judicial review into the decision to transfer the Port of London Police into the control of the newly-privatised Tilbury Dock.

The ports police, whose jurisdiction extends over the Port of London area from Teddington Lock to the Nore, are seeking a declaration that there is no statutory authorisation for the transfer.

# Joblessness rises for ex-trainees

By Lisa Wood, Labour Staff

THE NUMBER of adults out of work three months after taking part in the government's main training programme continued to increase in 1990-91, according to a government survey.

The figure of 58 per cent for those leaving Employment Training was 5 percentage points worse than for the year to July 1990.

ET has been a controversial scheme. The Treasury this year unsuccessfully sought to cut its budget, justifying the move with its forecast that 10 would find a job after completing the scheme in 1992-93.

Training and Enterprise Councils (TECs), which now administer the scheme, are trying to relate ET more closely to real job opportunities. At present long-term unemployed adults may obtain training for skills for which there is no local demand.

According to the ET leavers survey for 1990-91, the proportion out of work after completing the scheme in the west Midlands and the north of England rose to more than 60 per cent, and in London unemployment grew from 58 per cent in June 1990 to 63 per cent in January last year.

According to figures published by the Unemployment Unit, an independent research organisation, the situation was worse in some TEC areas.

The survey also showed marked regional variations in participants working towards qualifications. In London only 37 per cent of trainees worked towards a qualification, compared to 47 per cent in the north.

The Department of Employment said rates of employment after ET were affected by unemployment generally. Working Brief, from Unemployment Unit, 409 Brixton Rd, London SW9. By subscription.

# Pension funds cut rate of investment

By Andrew Jack

TOTAL NET investments by insurance and pension funds during the third quarter of 1991 fell by 2 per cent to nearly £3.4bn compared with the same period last year, according to Central Statistical Office research released yesterday.

There was a substantial shift away from short-term investments, and particularly UK ordinary shares.

The CSO's analysis of a sample of pension funds and companies showed investments by public and private pension funds were £5.5bn, while holdings in long and short-term funds by insurance companies were £5.4bn.

There were substantial declines in holdings of short-term assets, with a net fall of £1.8bn. In short-term investments by insurance companies in the three-month period.

Net investment in UK shares by pension funds fell 53 per cent to £1.8bn and that by insurance companies fell 57 per cent to £1bn.

Investment in overseas ordinary shares increased correspondingly during the period to £5.3bn for insurance and pension funds.

Total long-term insurance funds were £5.5bn, £600m above the previous quarter and £200m above the third quarter of 1990.

Net investments by pension funds in UK property rose to £200m, however. This is the highest level since the last quarter of 1987. Net investment in property by long-term insurance company funds was £400m, slightly more than in the previous five quarters.

# Job cuts by nappy producer

By Chris Tighe

SWADDLERS, the Gateshead, Tyne and Wear producer of the UK's second most popular disposable nappy brand, Toga, is shedding 75 jobs.

The company is blaming price cutting by retailers of Procter & Gamble's Pampers brand, which has about 68 per cent of the UK disposable nappy market.

Toga has a 9 per cent market share, compared with 14 per cent early last year, when Swaddlers employed 250 people. Mr Jim Clough, the managing director, said yesterday the company's 1991 turnover would be about £27m, 5 per cent to 6 per cent lower than in 1990.

Mr Clough said Swaddlers had the support of its Italian parent, the Angelini Group. He was hopeful there would be no more redundancies.

The cuts, which will reduce the Swaddlers workforce to 150, are the second blow to hopes of making disposable nappy manufacturing a growth sector in the north-east's economy. Last year Blue Ridge Care, of Consett, Co Durham, went into receivership with the loss of 125 jobs.



Dame Marie Clay: reading recovery programme pioneer

# Call to speed up planning decisions

By Richard Evans

LOCAL authorities were urged to speed up their handling of planning applications yesterday following evidence that their record continues to fall well short of the government's target.

The proportion of decisions taken within eight weeks in the April to June period last year was, at 80 per cent, a significant improvement on the 62 per cent a year earlier, and 48 per cent in the corresponding period of 1989.

However, it remained far below the target set by the government that authorities

should make a decision on 80 per cent of applications within eight weeks.

The number of planning applications received by authorities between April and June last year fell by 6 per cent compared with the same period in 1990, but the number of decisions taken also fell by 11 per cent.

Commenting on the statistics published yesterday, Mr Tim Yeo, environment minister, said that he was encouraged by the latest performance figures, which showed that the trend towards quicker plan-

ning decisions was continuing.

"But there remains much room for improvement," he said.

There has been a steady and significant fall in the number of planning applications in recent quarters - the April-June 1991 figure of 137,000 compares with a peak of 178,000 in the January-March quarter of 1989 - but performance has not improved as much as it would have expected in these circumstances.

"Moreover, the average of 80 per cent of decisions within

eight weeks conceals a very wide range of performance between the consistently best and worst-performing authorities."

This degree of variation is a cause for concern, especially where local planning pressures appear similar.

Mr Yeo urged local authorities to take advantage of the fall in the number of new applications to speed up their handling of cases, and to ensure that their management of the development control process was as efficient as possible.

# Art of staying afloat in a cold climate

Michael Skapinker assesses the mood of British boatbuilders

PEOPLE buy pleasure boats when they are feeling wealthy, says Mr Edwin Paul, and the British are not feeling particularly wealthy at the moment. "I reckon people have got the cash but not the confidence," he says.

All the same Mr Paul sold five sailing boats on New Year's Day, the first day of the 1992 London International Boat Show at Earl's Court.

Last September Mr Paul led a management team to buy Westery Yachts, which went into administrative receivership in May last year, from the receivers for £2.2m. Renamed Westery Yacht Construction, it will sell 30 boats this year, compared with its previous annual average of 250.

Doctors are still buying boats, but the owners of cash-strapped small and medium-size companies are not. Mr Peter Thomas, Westery's sales director, says the decline of the building industry probably means the two bricklayers who bought a yacht two years ago will not be after a bigger boat.

Mr Paul Wagstaff, chief executive of the British Marine Industries Federation, insists Westery's going into receivership was not typical. No more than a handful of the federation's 1,400 member businesses failed last year, he says. This year's boat show is the biggest ever.

Mr Wagstaff says a dearth of British buyers resulted in the turnover of the UK pleasure boat industry falling by up to

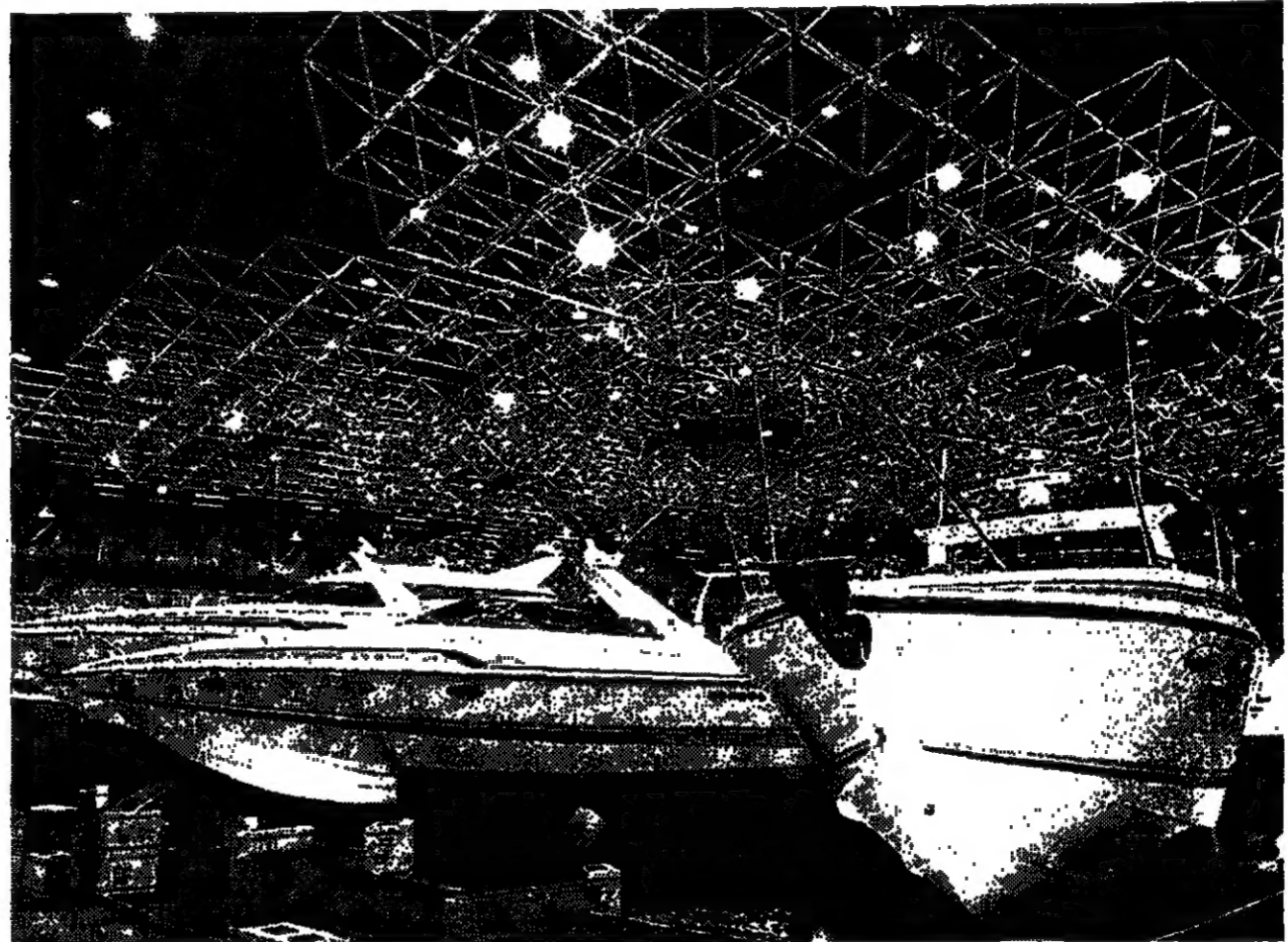
20 per cent last year from £1,360m in 1990. The success of exports, which account for 50 per cent of revenues, has saved it from the shake-out experienced in other sectors.

In spite of the UK's decline as a shipbuilding nation, Britain remains surprisingly successful in the manufacture of pleasure boats and related equipment. The 650 exhibitors at Earl's Court, many of them UK-based, will spend the next week showing off everything from navigational aids to streamlined power boats that look as if they would be more at home in space.

Mr Wagstaff says although the sector employs only 20,000 people, the UK pleasure boat industry vies with that of France for the title of the biggest in Europe.

"Well, you've got to put the hype out, but everyone's suffering," says Mr Robert Braithwaite, managing director of Sunseeker International, one of Europe's biggest manufacturers of power boats. "People who are not exporting are suffering very badly." Sunseeker has responded to the UK recession by increasing exports from 55 per cent of production to 59 per cent.

Continental Europe accounts for 60 per cent of Sunseeker's sales, with the rest divided between North America, the Far East and Japan. "There's no market that's booming, but we've been working on Japan for four years. There's luck in business and the Japanese market suddenly took off for



Just add water: Motor cruisers seeking buyers at Earl's Court, venue of the London International Boat Show

us," Mr Braithwaite says. The company has eight months of orders, compared with the 12 months it usually achieved before the recession. "I'm very pleased to have eight months," he can tell you," he said.

Some smaller, more specialised UK manufacturers have been less affected by the recession. Mr Sean McMillan, managing director of Suffolk-based McMillan Yachts, which makes custom-built wooden boats, expects 1992 to be his first profitable year since he founded the company five years ago.

Mr McMillan, a fine-arts graduate of Newcastle University, eschews the industry's move towards computer-aided design, preferring to draw yachts by hand to meet each customer's individual requirements. The average price of his yachts is £100,000, but they can sell for much more than this.

At his Earl's Court stand is a drawing of a 78ft schooner designed for a group of Swiss businessmen. If the deal comes off McMillan will sell the boat for £150m.

He says: "The recession has affected us only inasmuch as

we haven't seen as many UK purchasers as we would have liked. But we've had a comparatively easy time because of the overseas market. In our business you're looking for only half a dozen buyers worldwide and they're not difficult to find."

In spite of the lifeline provided by exports, Mr Wagstaff says the industry has worked hard over the past decade to market pleasure boating as an activity which is not confined to the very rich. The cheapest boat on display at Earl's Court is a 6ft glass fibre dinghy which

sells for £169 excluding VAT. There are many other boats on display with price tags in the hundreds rather than thousands of pounds.

Mr Wagstaff's federation sponsored 16 events in the UK last year at which beginners were encouraged to try their hands at boating. It has also launched a subsidiary called Schools Afloat to tell local education authorities about boating facilities in their area.

The federation has targeted other markets. It makes presentations to seminars for the newly-retired.

# Government urged to relax share trust rules

By David Goodhart, Labour Editor

THE GOVERNMENT is coming under growing pressure to relax the conditions on statutory employee share ownership schemes (ESOPs) following the poor take-up since they were introduced in 1989.

Fewer than a dozen companies have set up the trusts, which buy shares on behalf of employees. In spite of the tax advantages that have been introduced to make them more attractive.

Organisations such as the ESOPs Centre, the information and lobbying group set up to promote employee share ownership plans, argue that the conditions associated with the schemes are too onerous.

The centre says that the government should, as a first step, ease the regulation which requires the trusts to have three employee trustees and should also lift the restriction which prevents foreign-owned

companies from setting up schemes. The government, with the strong personal backing of the prime minister, is keen to promote the financial participation of employees in companies through share schemes or profit-sharing, and is expected to take some action on this front in the Budget, as it has done in 11 out of the last 12 Budgets.

The government has also welcomed the intervention of the European Commission. It has issued a non-binding recommendation aimed at promoting employee participation in profits and equity.

The recommendation, part of the social action programme, seeks to promote best practice in the field. It also proposes setting up a working party to examine the possibility of an EC-wide scheme.

The Department of Employment, which is inviting responses from business on the recommendation, would not welcome statutory measures, but says it "welcomes the European Commission's recognition of the importance of financial participation".

The department adds: "The government considers that the Commission can make a constructive contribution in this area by disseminating information and promoting good practice."

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# Taking a leaf out of Dame Marie's book

John Willman reports on the adoption of New Zealand methods for teaching reading

THE FIRST batch of reading tests administered to seven-year-olds in England and Wales last summer produced dismal results. They showed that 28 per cent of those tested could not read without help and had difficulty spelling three-letter words like car or sun.

Until quite recently such difficulties were not regarded as disastrous. The received wisdom was that children needed time to develop. In some cases it was only on arrival at secondary school at age 11 that remedial teaching would be provided. Valuable years in

school were wasted and children confirmed in a pattern of educational failure.

In New Zealand, by contrast, six-year-olds with below average reading skills get intensive help to catch up. The worst readers are withdrawn from class and coached for half an hour a day for between 12 and 20 weeks by a specially-trained teacher. Almost all are then returned to normal teaching.

The results have been impressive, with less than 1 per cent of pupils needing help after 20 weeks. Research shows that the improvement is retained after three years.

The pioneer in this reading recovery programme is Dame Marie Clay, Emeritus Professor of Education at Auckland University and former world president of the International Reading Association. She believes the programme can eliminate any form of reading difficulty not caused by a physical problem, and rejects the common assumption that up to 15 per cent of people are "reading-disabled".

Her approach has spread to Australia and the US, and has now reached the UK. The first local education authority to adopt her

approach was Surrey County Council, which sent a teacher to New Zealand for an intensive year's training in 1989. She trained 19 other teachers and the first children began the programme in 1991. There will be 33 trained teachers by the end of this summer, each working on four children at a time.

Mr Maria Evans, the school inspector running the Surrey programme, said: "There is a big spin-off for the schools. Improving children's reading skills also improves their writing ability, their attentiveness and comprehension."

The approach is not cheap. A

specialist teacher is attached to a single school so the children become familiar with him or her. It would cost Surrey more than £400,000 a year to introduce the programme in every primary school in the county.

Seven London boroughs have shown an interest in adopting similar programmes and Dame Marie is to spend two years training teachers at the University of London Institute of Education.

The funding announced yesterday for further pilot projects should ensure that she has plenty of recruits for her courses.

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## UK NEWS

ONE MAN'S RECESSION: Ted Bryant's business boomed in the 1980s but collapsed in 1990. Rachel Johnson reports

## When an ice-green Rolls is just a memory

**T**ED BRYANT is not alone in hoping the economy will be better in 1992. Like thousands of other financial services salesmen in the south east of England, he lived a high life in the 1980s and then lost it all.

He went from a £285,000 house in Camberley, an ice-green Rolls-Royce Silver Spirit and holidays in Martinis to a bungalow in Halberton, Devon.

Now he drives a second-hand Bedford van. "I had 17 suits, 100 shirts, all bought in the West End, and lunch at Langens in Piccadilly. I saw John Collins there once," he says.

Today the Bryants watch telly, eat Chinese takeaways and sing Neil Sedaka hits on the karaoke to keep their spirits up. Their children zoom around on mountain bikes and swap shell-suits.

Ted, 47, spends his days ferrying his three stepchildren - Stephanie, 16, Melanie, 14 and Kristopher, 13 - along muddy lanes to school, club and the nearest McDonalds. They are rory-cheeked testimony to the benefits of fishing, country air and bops at the local youth centre.

His third wife, Laura, 10 years younger, goes daily to a factory in Tiverton to stick labels on bottles of Liberty and Floris scents and creams.



Waiting for the turnaround: Ted Bryant went from a £285,000 house in Camberley to a bungalow in Devon, but insists he will be bouncing back

"The Pethers", a tiny three-bedroomed structure set into the rolling green hills of the Devon countryside, is a cosy nest with the stone-clad kitchen has a Reeburn stove and television blaring continuously in opposite corners.

Ted's experience is both a parable of the recession and the tale of an imprudent businessman who over-extended himself, got caught out by recession and crashed.

There are thousands of Teds in the south of England. They enjoyed easy money during the eighties, when their financial services firms expanded recklessly. But competition eroded profits and then the markets they served contracted. Having lost their jobs, the Teds' chances of re-employment in comparable positions are slim. They are the steelworkers of this recession.

"Everything in Ted's life has

changed since his business went under at the end of 1990. His circumstances will strike a chord with other recession victims, even those for whom the details are different.

A bulky man in his blouson jacket, with the restless hands of an ex-smoker, Ted may seem an unlikely symbol of the recession. But this new year, Ted has been unemployed for exactly 12 months.

"It's been a horrendous year," he says. Laura lights up more cigarette and smiles reassuringly as Ted relates how the family as had to live on her wages for the year he has been out of work.

A neighbouring sister has lent them some money, but Ted is already two months behind with the rent. He has worked for five weeks since he went bankrupt - at Blundell's School, as an electrician - but only claimed unemployment benefit over the summer.

"People get too complacent if they go on too long," he says. Slow to point the finger of blame at himself, he singles out two culprits for his business demise.

"First and foremost, it was recession, the lack of business, that presented the main problem. Then it was the bank. They pulled the rug from underneath us," he says.

Ted, who has sold mortgages, insurance and pensions since 1979, admits to over-borrowing in the late 1980s, just before the rise in interest rates to 15 per cent put the lid on the housing market.

His next mistake was shared by the government, the Treasury, and almost all professional economists. He failed to foresee that this recession, unlike the one in the mid-1970s, was going to be so deep and last so long.

He opened a new Camberley branch of his company, Surrey and Hants Financial Services,

at just the wrong time. He had an overdraft limit of £100,000, but ran it up to £220,000. Then the bank got "cold feet" about financing him further.

"Recessions have never gone on like this. Let's face it, this is absolutely diabolical," he says.

May 25 1990 was the beginning of the end. That day Ted threw a party, attended by Jim Bowen, host of TV's Bullseye darts quiz show, to celebrate the opening of the new branch of the company he started in 1988 and spent £45,000 advertising in 1989.

The branch was tied to Colonial and Mutual, a life assurance company, which had agreed to clear S&H's overdraft with the National Westminster Bank.

The bank manager had been enthusiastic. He agreed that the overdraft should be cleared, and also agreed to give Ted a working overdraft of £50,000 to trade with and start afresh.

S&H was, Ted says, "sizeable in Surrey," and the new branch was a part of his ambition to "become a household name in the Camberley-Woking area". The idea was that as soon as the mortgage market, increasingly pinched since 1988, turned round "there we would be, waiting in the wings."

But they were not. First the office was three months late in opening, and then there was no turnaround. "When interest rates go sky-high the first thing that gets hit in the following recession is the property market and the mortgage market gets hit the same day."

But that was not all. The week he paid in the last cheque to clear the £220,000 overdraft, he was splitting up with his wife Laura, a director of Surrey and Hants.

"I had booked into the Grand Hotel, Jersey, for the weekend. I went with Laura. Came back on the Tuesday. From the air-

port I telephoned the office to find we had all sorts of problems and the bank had returned four cheques."

The bank had happened to cut off his credit on the same day he left his wife. "It was incredible - as if they had timed it," he recalls.

Ted called the bank manager from his carphone. He knew the mortgage business had been very slow, but he thought the pensions and insurance side had been trading nicely over the summer.

The manager informed him that since the overdraft had been cleared, the regional office had decided to withdraw the £50,000 trading facility the company had already partly spent.

"You can imagine what that did to us. You can't have cheques bouncing in the financial services industry," he said. The sales force of 25 left within a week, his wife

resigned at Christmas, and the company went into liquidation at the beginning of 1991.

NatWest, which would not breach banking confidentiality without authorisation from all individuals concerned, merely said it could "confirm that Mr Bryant was declared a bankrupt on April 2, 1991."

Ted had secured his borrowings against their house where he and his wife had lived what he describes as "the high life". With no money coming in it was impossible to keep up the mortgage payments of £2,000 a month.

In July this year the house was reposessed by the building society. Ted, now divorced from Laura, moved down to Devon with Laura and her three children to start a new life.

Sitting in the lounge, he hands over a snap of the Rolls. His initials are on the number plate. The car also went to pay his creditors. He opens another album full of shots of a bronzed and jovial Ted at office parties, laughing with his bank manager and secretaries.

Though the new Devon nest is crammed with the wife, children and pets he loves, he reels off the material details of the life he has lost.

"I had a very high social life. I went on a cruise in 1980 to Tenerife, and in '89 I went to Mauritius, Singapore and Thailand in one holiday," he says.

Their sudden hard times have shaped their views. Laura enjoys her job. Kris wants to be a policeman because they don't get made redundant. And Ted is starting a job in January selling record collections round the south west.

"This'll blow your mind," he says. He slides open a garage door to reveal an office, arranged with all the furniture - swivel chair and double desk - from the fateful Camberley branch of Surrey and Hants.

"Put it this way, at least I've done it and been there. Don't turn me off yet because I'll be coming bouncing back, I can assure you."

The next chapter of Ted's rage-to-riches-to-rage story will not, hopefully, end in The Pethers. Ted insists the Bryants will have their day again.

## Building sector outlook warning

By Andrew Baxter

**OVERSUPPLY** and depressed rental demand are combining to prevent any real prospect of recovery in the commercial construction market before the mid-1990s, the Building Employers Confederation warned yesterday.

In a gloomy new year message Mr John Smith, the confederation's chairman, said there was also no real prospect of the construction industry emerging this year from recession, whatever the prospects in the wider UK economy. Mr Smith said the confederation's last state-of-trade inquiry pointed to a fall of between 5 per cent and 10 per cent in construction output in 1991. A fall of at least half as much again is likely in 1992, even with the limited growth expected in some sectors of the industry in the second half of the year.

This forecast matches closely the official assessment last month from the National Economic Development Council. Its construction industry sector group said output was likely to fall 9.5 per cent in 1991, with a further decline of about half that in 1992.

The confederation says the most recent output figures from the Environment Department, for the third quarter of 1991, confirmed its own inquiry. The 10 per cent decline in output, compared with the third quarter of 1990, was "an important statistic that cannot be ignored," Mr Smith said.

The evidence for Mr Smith's warning about the commercial sector comes from the sharp third-quarter fall in output - private commercial orders were down 25 per cent from a year earlier. This particularly affects big national contractors.

Almost two-thirds of people think the economy will not recover until next year or later, according to a Gallup survey. It found that 40 per cent believe the recession will last for at least the whole of this year and a further 22 per cent do not expect an upturn until the end of the year.

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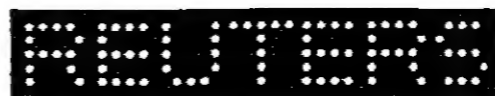
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# FINANCIAL TIMES

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## Dividends in recession

THROUGHOUT the second half of the 1980s, Britain's corporate sector increased dividend payments faster than profits. But not any more, it seems. Last year's dividend on the FT Actuaries All-Share index rose by a mere 5% per cent, which is little more than a third of the rate experienced in the late 1980s. Since that nominal increase is broadly in line with underlying inflation, there was no increase in real terms. Is it a return to sanity or a loss of boardroom nerve?

Making sense of British dividend policy is not as easy as it might be. Economic theory suggests that the market should put an equal value on retained profits and dividends, except to the extent that the tax system favours one against the other. Since the Heath government's corporation tax reforms of the early 1970s, the discrimination for last dividends in favour of retentions has largely been removed. Yet in practice the market is not just neutral; it places a significantly higher value on dividend income - witness the plunge in British Steel's share price when it warned last year of a possible dividend cut.

The most plausible explanation is that Britain's unusually active market in corporate control has caused dividend policy to become uniquely sensitive to the pattern of portfolio demand. Whereas in Germany quoted companies are able to adjust the annual payout to reflect the earnings trend without fear of retribution, the British have to worry about hostile takeovers. It is no coincidence that dividends started to outpace profitability in the mid-1980s when the threat of a hostile bid became real even for ICI. In effect, management has been paying its shareholders an advance loyalty bonus with their own money.

### Tax privileges

In Germany portfolio demand is heavily skewed towards fixed income. By contrast, British investors' experience of inflation largely destroyed their appetite for bonds in the 1970s and 1980s. Pension funds in particular sought to make their investments with a rising dividend income from equities, not least because of their right to reclaim tax on dividends. If these tax-privileged institutions are viewed as the real owners of the corporate sector and their stake in industry is consolidated, they pay an effective 13% per cent tax rate on dividends compared to 35 per cent on retentions.

But taxed investment institutions are equally yield conscious. And some take the view that high yields and payout

ratios are appropriate in an economy where managerial performance has been unexciting. For if profits are distributed in full, corporate investment and acquisition programmes would have to be submitted to the institutions for approval. By this means fund managers and trustees would appropriate for themselves the right to decide whether profits were worth more in the hands of incumbent management or in their own institutional coffers.

### Feeble record

It sounds, at first blush, like enhanced accountability. Yet the institutions' own record in holding management to account scarcely commands respect. Their ability to identify bad management is notoriety. Nor is it clear that imposing institutional priorities on the corporate sector makes wider economic sense.

Some smoothing of dividends may be acceptable in normal circumstances. But the present profits squeeze is part of a wider structural adjustment to the new disinflationary world of the ERM. In the past a recessionary fall in real dividends has been brought about in much the same way that real house prices have been allowed to fall without damage to nominal prices. Inflation has outstripped increases in declared dividends. Why should the institutional investors be exempted from the adjustment to reality that home owners now face?

It is tempting to explain the difference in dividend policy between countries like Britain and Germany in terms of philosophy: liberal capitalism versus corporatism. But that is too simplistic. The real issue is about contrasting forms of corporatism. In the peculiarly British corporatist model, the institutions have recently been acquiring more say relative to management, which in turn has made gains over the past decade at the expense of labour. The result is that dividends enjoy priority in a recession over capital investment, pay and jobs. German corporatism, by contrast, operates on the basis of a set of priorities, with dividends coming bottom.

Much of the recent increase in British dividends came from recession-proof privatised monopolies and duopolies, which is probably why the market is not expecting a sharp fall in nominal dividends this year. But last year's nil increase in the payout suggests that there may be a big squeeze in more competitive sectors. Stand by for nasty surprises - and ponder those German priorities.

It is party time in Spain and everyone is invited, which is only fair as almost everyone is paying for it. Nineteen ninety-two promises to be a monumental celebration, bringing to a climax the country's first uninterrupted decade of democratic rule. But it also marks the end of Spain's most glittering economic successes since the Conquistadores took South America more than 400 years ago and draws a curtain on its reign as the Wunderkind of Europe.

Few countries as poor as Spain would consider trying to host the summer Olympics and a World's Fair in the same year and probably even Spain would have balked had it realised the extent of the economic strain involved, even though EC structural funds have played a key role in the effort. Somehow, more than Ptas1,500bn (\$2.2bn) - a combination of state spending and European Community financing has found its way into Spanish roads, bridges, railways and airports to prepare for the festivities.

But back in the years after the death of the dictator General Franco in 1975, as the world rushed to congratulate Spaniards on their remarkable transition to democracy, no one seemed to doubt that the country, once bitterly divided, had awakened to a promise of something completely new. Calm. This was briefly interrupted by a coup attempt in 1981, but Prime Minister Felipe Gonzalez, the country's longest-serving elected leader, still talks of the calm he felt on the night he was first elected in 1982: "People have not voted for change. They have voted for a rest."

Spain needed that rest to be able to focus its efforts on becoming an integrated part of a democratic, open Europe. A country ruled imperiously from the centre for nearly 40 years by Gen Franco had developed potentially poisonous regional conflicts, particularly in the Basque country and Catalonia. Holding Spain together had always been Madrid's big challenge, leading one of its leading early 20th-century philosophers, José Ortega y Gasset, to proclaim: "If Spain is the problem, Europe is the solution."

That lesson has finally been taken aboard - being part of Europe is what unites Spain. The sense of being a player on a wider stage has enabled the country's disparate communities to unite around a common objective rather than as in the past, the government in Madrid. Spain realises its aspirations can no longer be met in a narrow domestic context, but only by opening itself to broader influences.

This perception has not stopped Spaniards using democracy as a breathing space. The government's transformation of a one-closed economy into one of the world's most open, and the subsequent spurt of foreign investment, has disguised the extent to which Spaniards have remained themselves.

The good life is being lived to the full: heart disease is growing faster in Spain than anywhere else in the industrialised west. Recent polls have shown that despite the growth of AIDS and drug abuse in the country, parents still worry most about their children abandoning Catholicism or having abortions. Only 5 per cent of Spaniards have bought a book in the past year and more than 10 per cent of them remain functionally illiterate. They still take three-hour lunches and smoke in department stores. Yet criticism from abroad still rankles. This helps explain why 1992 has become, in Spanish eyes, such a critical year.

For the doubters beyond Spain's borders and those few inside them, it is the ultimate showcase. Barcelona is a transformed city. Some Ptas700bn have been spent on Olympic facilities and on easily the most ambitious urban renewal programme in Europe since the reconstruction of Germany after the second world war. Seville, a lethargic, sun-drenched tourist venue,

As Spain gears up for its 1992 festivities, Peter Bruce examines a country which is having trouble paying for modernity

## Revels for a state without a creed



looks like the kind of capital that might be built in the jungle by a mad dictator, as fantastic buildings take shape on the island of Cartuja where the Guadalquivir river skirts the city. Here the grandly named Universal Exposition 1992 (Expo) will welcome nearly 20m visitors between April and October.

They will get there by car on a shiny new network of highways that now crisscross the region of Andalusia. Or by air into a Ptasbn airport terminal that even the government admits will not be used to full capacity for at least 20 years. Or by rail on a new Ptas400bn high-speed train link with Madrid. So much money has been spent on the rail project that there will be none left for connecting the country to Europe's high-speed network until the next century.

New managers at the state railway company, Renfe, admit that, given the choice now, the line between Seville and Madrid would not have been built first. It will turn out to be more decorative than practical, an extravagant gesture to the poverty-stricken south. Jealousy of the money being spent on Seville, and on Barcelona to the north, Madrid was determined not to be left out of the jollity and has become the Cultural Capital of Europe this year. Perhaps fortunately for Madrid, almost nothing has been done there since the city was spared by construction works and pot-holes. Madrid came late to the trough though, so there is little money for anything except renovations to the old opera house and some museums, a few big concerts and exhibitions.

Spanish leaders defend the spending spree in Barcelona and Seville. They argue that 1992 has been an investment trigger for pouring cash into regional development that would otherwise never have been undertaken. In the view of independent critics in Madrid, that makes sense in Barcelona, which is, anyway, the country's leading industrial centre and desperately needed an overhaul of its transport infrastructure. But the Ptas800bn spent on Andalusia and Seville is greeted less enthusiastically. The mere existence of enhanced

### State railway managers admit the Seville-Madrid line was an extravagant gesture to a poor south

communications in Andalusia, the critics argue, does not imply automatic economic transformation after the Expo festivities are over. There is a serious risk, they say, that the facilities left behind will be underused because the region has little industrial culture or skills.

A nagging sense persists of, perhaps, having overdone it, which is leading some Spaniards to caution against expecting too much of 1992. One of the wisest is Mr Francisco Fernandez Ordóñez, the country's foreign minister. "Nineteen ninety-two," he says with a flick of the wrist, "it doesn't mean a thing."

Nearly three centuries of trying to get Gibraltar back from the British

has made Spanish foreign ministers masters of lowering expectations but even wily Mr Ordóñez is probably too late to save the authorities from the effects of overselling 1992 as a watershed for the country's development.

"Five years ago," says Mr Jesús Martínez Vázquez, editor of the leading national business newspaper, *Expansión*, "1987 was a sort of horizon we were all moving towards. Now we are there and we have still not solved our fundamental problems."

These remain inflation and unemployment. Four years of a virulent mixture of high interest rates and tight credit have failed to bring underlying inflation below 6 per cent. Unemployment still languishes at above 15 per cent and is likely to get worse as thousands of jobs in the steel and coal industries of the north are threatened by Community subsidy limits. If the government is lucky, the economy will grow only 2 per cent this year, less than half the rate of two years ago.

Time is now very tight. Spaniards will be left to get on with the party - the Expo site and its 250 bars and eateries will be closed only from 4am until 9am for cleaning - while the government struggles to shore up the economy for a much more sombre 1993 in the hope that nobody notices the job.

The challenge facing the government is all the more pressing as its political dominance is under threat at the next general election, which has to be held by October 1993. The ruling Socialists now have just half the seats in the Cortes (parliament) and must

fight at the polls while at the same time trying to impose on Spain the harsh array of commitments made to their European partners at the Maastricht summit.

They are broadly committed to taking the peseta into the narrow band of the ERM in the next two years. This would entail restricting exchange rate fluctuations from 6 per cent to 2.25 per cent and would thus severely limit the extent to which Spanish interest rates can be used as a tool of economic management. Interest rates would have to fall with narrow band entry, and the only way to do this without recharging inflation is to cut public spending.

Until now, the Socialists have tried to resolve the conflict between budgetary discipline and spending by curbing consumer appetites. This, however, has only served to underline the fact that the state, as the biggest spender and employer, is itself the root cause of the inflationary malaise. If economic convergence with the rest of the Community is to be achieved and high public spending is to continue, someone else will have to pay for the roads. Hence Spain's insistence at Maastricht that the method of financing infrastructure projects with EC funds be changed. At present it is done on a 50-50 basis, with Spain matching EC funding. But it wants to pay less and the EC to pay more.

Wrangling with the Community over money is a far cry from the expensive and exciting concerns of a decade ago and this year thus also probably marks Spain's coming of age, when the choices it has to make become more mundane and, perhaps, more realistic. It is no longer a matter of how rich the country wants to be, but how poor it can bear to be.

The absence of political mechanisms to make such choices less chaotic is not all the government's fault. But when Spaniards finally realise that the party is over, that they have not yet built a truly competitive industrialised country, selling the message will be tough. Spain's system of proportional representation is one of the most rigid in Europe. As a result parliamentary debate is practically non-existent, attendance is low and voters pay little attention to the deliberations of the Cortes.

They do, however, pay attention to the government and feel free to criticise it in a way that would have been unthinkable 16 years ago. It is this liberal rule - Mr Gonzalez calls it *catharsis* - that may prove just as dangerous as an economic crunch. One of its side-effects has been to do away with widespread corruption in public life to come to the surface.

The prime minister never tires of saying that he will leave office a relatively poor man, and most people believe him. But he misses the point. Corruption and influence trafficking around the government seem endless. The deputy prime minister was forced to resign last year after it became clear he had left a government office in Seville to a businessman brother who then used his connection to win himself several business deals. A few months later, it emerged that two bogus consulting firms run by senior Socialist party officials had been taking million-dollar "fees" from big industry for their services. The money appeared to have been going into party coffers.

Corruption has induced a weariness in many Spaniards, especially those who failed to become rich in the boom years between 1986 and 1989. Even in Spain it is hard to get very rich very quickly and legally.

Spain enters 1992 still a country without a creed. It is richer and outwardly more contented than it has been for much of this century, and the onset of harder economic times has taken the edge off the selfish, uncaring side of the country that briefly emerged after 1986. But it leaves Spaniards wondering what happens now, with nobody prepared to tell them how bad it could get.

There is no better embodiment of the extraordinary wave of optimism that has been sweeping through the US stock markets than the person of Ms Elaine Garzarelli, one of Wall Street's best-known analysts, and among the most vociferously bullish.

For Ms Garzarelli, who shot to celebrity status in 1987 when she correctly forecast the October crash, reckons that the remarkable stock market rally of the past 10 days is but a forerunner of a strong surge in equity prices over the next year.

And this week Lehman Brothers' leading equity analyst was busily putting her money where her mouth is, buying shares for her own account in General Motors and International Business Machines - lumbering blue chip companies which are being hurt severely by recession and suffer from very low stock market ratings. "When they're at these levels," she says with a chuckle, "you can't go wrong."

Views like this put her at one end of a Wall Street spectrum which runs through mild concern that the market is getting ahead of itself, anticipating too much good news, to pessimistic warnings that the Christmas rally could merely be the prelude to a market slide, if the US economy remains stuck in recession or enters a prolonged depression.

Yet Ms Garzarelli's track record in recent years is impressive. Not only did she predict the 1987 crash, but she had the prescience to do so on television. She rightly dismissed the sudden downturn on Wall Street in October 1989 as a blip and accurately called the bottom of the bear market in the autumn of 1990. She urged investors to get into equities just ahead of the Gulf war, when Wall Street was consumed with gloom, and was vindicated by the Dow's subsequent 500-point surge.

Ever since 1984 fund managers polled by Institutional Investor magazine have voted

## WOMAN IN THE NEWS

Elaine Garzarelli

## Bull in a Wall St bear garden

By Martin Dickson



her the leading US quantitative analyst - that is someone who predicts significant market turning points by feeding statistics into their own computer models.

Nor have the 38-year-old Ms Garzarelli's powerful personality and flair for self-publicity hurt her reputation. Her personal style is arresting - a combination of frizzy hair, designer clothes and stiletto heels, which has earned her the nickname of "Wall Street's Barbara Streisand".

The daughter of a Philadelphia banker, she has a reputation for being a highly strung loner, a workaholic and commanding a salary of \$1m or more. "The market," she says, "is a person. It's fun."

She lives alone in a Greenwich Village apartment building, where she closets herself for two weeks a month working on her forecasts. But she insists she has been developing a social life and was recently quoted as saying she would like to adopt a child with a "parental syndicate of three men".

Her investment advice is not without Memphises. Wall Street rivals point out she has made some poor short-term predictions, including tipping General Motors last summer before its share price plunged.

Nevertheless, she claims her system of 13 indicators has predicted all the big market moves of the past 20 years. The indicators are broken down into four groups, each of which has a roughly equal weighting - the economy, monetary policy, share price valuation and investor sentiment.

She owes her success, she says, to "following my indicators, even when they tell me to do things that are totally against my emotions".

If changes in the direction of the market can be deduced in this manner, why have others not copied her? The answer is that Ms Garzarelli's framework and weightings, built up over 10 years, are uniquely hers. She claims, for example, that no one else has the contacts to match her monitoring of institutional cash holdings - an important factor in

market liquidity. So what makes her so much more optimistic now than most of her rivals? In December, she says, 11 of her indicators were bullish and two neutral, giving one of the strongest readings in their history.

Like most of Wall Street, she thinks the US is in the final stages of a recession, and that the significant easing of monetary policy by the Federal Reserve on December 20 - the prime reason for the stock market's recent rally - shows the central bank will hold the economy's hand until it is up and running. That, she thinks, could feed through into average 22 per cent growth in corporate earnings in 1992.

The more pessimistic analysts, however, argue that the Fed's easing move is more a sign of desperation and of the depths of the economy's problems. They maintain that with high unemployment, weak consumer confidence, an overhang of corporate and personal debt from the 1980s and softening overseas economies, the US recovery could be extremely

sluggish and 1992 corporate earnings could be disappointingly small.

Many analysts think that the ratio between the price of US shares and corporate earnings is one of the most basic tools of stock price analysis - shows that the US equity market is already assuming rather too much good earnings news for comfort.

But Ms Garzarelli will have none of it. She says her rivals are making the mistake of placing too much emphasis on earnings in the current recession year, rather than 1992 and 1993, or are not discounting one-time write-offs by companies which are in the process of restructuring.

She reckons that fair value for the Dow, given current interest rates of 3.75 per cent, is 3,276 on the basis of prospective 1992 earnings and 3,520 for 1993 earnings.

However, Ms Garzarelli adds that the stock market usually tops out well above fair value when economic growth is a long way from peaking and Fed policy is easy, as is the case now. And this creates scope for the Dow to rise by 20 per cent or more over the next 12 months, possibly to about 4,000.

The current rally, she argues, could last another two months and then be followed by a 4 per cent to 7 per cent downward correction - not sufficiently serious to merit selling shares.

Stocks Ms Garzarelli thinks will do particularly well include big players with lowly market ratings in sectors which tend to mirror the ups and downs of the economic cycle, such as General Motors, Westinghouse Electric, the troubled conglomerate, and retailer Woolworth. "With these you know you are going to make gains twice as much as the market," she declares.

And judging by the Christmas rally, an awful lot of investors would like to believe her.

Additional reporting by Philip Coggan and Andrew Freeman

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## UK COMPANY NEWS

# £122m provisions force FNFC to loss of £33.7m

By David Barchard

FIRST NATIONAL Finance Corporation, the troubled consumer finance and commercial banking group, plunged to a pre-tax loss of £33.7m in the year to October 31 after making provisions of £122m against bad debts on second mortgages and other consumer and commercial lending. The loss compared with a taxable profit of £36.4m in 1990.

There is no final dividend on the ordinary shares (8.5p). FNFC also passed the interim dividend and any decision about restoring dividend payments is unlikely to be taken until later this year.

Losses came to 13.4p per share (earnings 18.3p) and net assets per share were 113p, down from 125p.

The total stock of FNFC's provisions now stands at £150m or about 10 per cent of its total loan book.

Mr Richard Langdon, chairman, said yesterday: "The year has seen a depressed property

market, which has affected all aspects of our business as most others have found who are engaged in lending money on property security."

During the year, FNFC sold £206m of its loans to two continental banks to boost its capital resources.

The sale was intended to reassure shareholders after the group's shares tumbled from 104p in early October to 54p in three days.

Mr Langdon said that the group would have been all right even without the sale of managed assets.

Yesterday the group's shares rose 7p in fairly active trading to close at 37p, after the market was encouraged by remarks from Mr Langdon of signs of a fall in default levels and expected recovery in the second half of the year.

Total lending at the year-end was £1.65bn, of which £1.3bn was consumer loans and £350m commercial. During 1991 FNFC

did £430m of new business of which £280m was consumer finance. There was a net reduction of £32m in arrears during the autumn.

Group turnover, excluding banking business, totalled £58.3m (£59m).

There was a tax credit of £12.3m (charge £2.5m). Only 250 of the group's 300,000 personal customers had their homes repossessed by the group during the year, though this probably understates the true extent of its clients' distress as most lending is on a second mortgage basis.

Mr Langdon, who will be 73 in June, plans to retire after seven years as FNFC chairman after the group's annual meeting in late February.

He will be succeeded by Mr Martin May-Smith, a former director of Kleinwort Benson who is also chairman of Norwich & Peterborough Building Society.

See Lex



Tom Wrigley (left), chief executive, and Richard Langdon

## ICI expected to benefit from breast cancer study

By Peter John

IMPERIAL Chemical Industries is expected to benefit from the results of a cancer study to be published today.

The study carried out by the Imperial Cancer Research Fund, concludes that women with early breast cancer have a better chance of survival if they take hormonal therapy.

One of the main forms of hormonal therapy is an oestrogen blocking drug called tamoxifen, which is sold by ICI under the brand name Nolvadex.

Nolvadex, launched in 1973, is the largest selling cancer

drug in the world with a turnover of between £200m and £250m. ICI was not prepared to comment on the study's potential impact on profits.

The research involved 750,000 women throughout the world and lasted for five years.

Most UK analysts believed the study would be positive for ICI. Dr Jonathan Gelles of US Schroder said: "It will clearly support further growth of this product. I would have thought that they should be able to increase unit use by between 20 and 25 per cent."

## Exeter Preferred Capital for main market via offer for subscription

By Philip Coggan

EXETER PREFERRED Capital Investment Trust, which will invest in the shares of split capital trusts, is joining the main market via an offer for subscription.

The new trust has an unusual structure, with £28.5m of zero coupon debenture stock already being placed with an institution.

This stock has a nominal value of £50m and will be redeemed in 2002, a gross return of about 11.25 per cent a year.

The other class of capital in the trust is ordinary shares, of which £23.5m are being offered for subscription at £1 each by stockbroker Greig Middleton.

By investing in the zero coupon shares and high yielding income shares of other investment trusts, the aim is to achieve capital growth

on the shares of around 13 per cent per annum.

In addition, the trust will pay a modest dividend, which will bring the redemption yield up to 13.5 per cent a year.

Exeter Preferred Capital will be managed by Ian Henderson Associates, a group which runs a series of unit and investment trusts specialising in the split capital trust area.

The trust is capable of being held in a Personal Equity Plan (PEP), although the low dividend yield means that this will only be suitable for those investors who regularly pay capital gains tax.

Applications, for a minimum of 500 shares, must be made by January 23 and dealings will start on January 28.

## Defence founded on sound management

Michio Nakamoto on Steeley's attempts to defeat the hostile offer from Redland

THIS HOLIDAY season has not been one of festive fun for Mr Richard Miles, group managing director of Steeley, the building materials group facing a £550m hostile bid from Redland, one of its competitors.

As Steeley's chief operating officer, Mr Miles has been working long hours to meet the deadline for the first defence document, which is being sent to shareholders today.

The offer of 85 Redland shares for 100 Steeley, with a partial cash alternative, has not only ruined Mr Miles's Christmas, it has jeopardised a deal with Tarmac of which he is rightly proud. Indeed, the pooling of the Steeley-Tarmac brick interests was welcomed by the City as ushering in a much-needed restructuring of the UK bricks industry.

But instead of cementing this deal, he now has to fight off Redland's charges that the Steeley management has let profits slide and allowed the balance sheet to deteriorate. The predator's view of the Tarmac joint venture solution is that it brings few benefits and dilutes assets.

Steeley will have to convince shareholders that the Redland offer, which would create a building materials group with a much wider geographic spread, is not as attractive as staying with Steeley's gradually evolving continental strategy.

The short-term picture is also clouded by gearing, which is a little high for comfort, and by low dividend cover.

Although Steeley's chances of remaining independent have already been pronounced "sadly limited" by at least one City analyst, Mr Miles shows little sign of being cowed by the task.

He believes the group has a proven track record, having produced more than 20 per cent compound annual growth over the past five years. He points to the management's early response to problems in the industry as evidence of tight management.

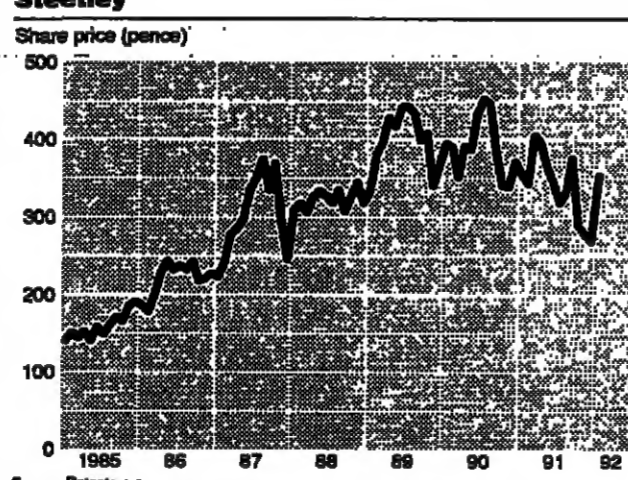
"Steeley is a company that has a focused business, that is at the bottom of the cycle and that has assets that will outperform in the future," he says.

We've demonstrated that we've done a good job. His stress on recovery prospects follows a sharp fall in profits. The pre-tax figure for the first half of 1991 fell by more than 70 per cent to £13.5m, which was at the lower end of City expectations.

Earnings per share plummeted to 5p but the interim dividend was maintained at 5p. With the UK construction industry still deep in recession and the French market, where it derives a substantial amount of its profits, coming under increasing pressure, the short-term outlook is hardly promising.

Yet Mr Miles maintains that

### Steeley



Source: Datastream

despite the recent setback, Steeley is on the right track and that the strategy will bear fruit in the long term.

The best evidence for this lies in the group's success on the continent and its quick response to the downturn in the UK bricks industry through the proposed deal with Tarmac.

Steeley's mode of geographic expansion has been to marry local knowledge to tight management control from the UK. It is already a leading producer in France and is strengthening its position in Spain.

While its moves overseas

have limited the damage of the UK recession, Mr Miles places more stress on the soundness of the business strategy.

"The point is that the position (in France) has been built up logically and has a value immensely greater than the actual underlying asset value," he says.

The strength of management, as Mr Miles sees it, is also evident in the concentration of Steeley's businesses on quarry products for the construction industry. "Hanson would say everything is up for sale, that is not true of us," says Mr Miles.

For the purposes of a bid defence, this focus appears to

leave little room for future disposals.

However, for Mr Miles, making disposals or management changes after a bid has been launched is only proof of previous ineffectual management. "Hanson Steeley has demonstrated that it is not the way to fend off a bid."

He says it is more important that Steeley's management has been quick to respond to overcapacity in the industry by making cuts and by coming up with the joint venture proposal with Tarmac.

"The Tarmac deal is on the table. That's management. It's a shrewd, live, seasoned, competent management who know what they're at."

He defends the deal as offering a far more effective way of dealing with the industry's overcapacity than the Redland alternative.

Before settling on a deal with Tarmac, Steeley did look at possible links with several other groups, including Redland, whose bid Mr Miles dismisses as a "knee-jerk reaction".

He is confident that shareholders will share this view. "We've demonstrated that we've done a good job. I think (the institutions) are learning from other countries that churning is not necessarily the way to make profits."

### FT-ACTUARIES SHARE INDICES - QUARTERLY VALUATION

The market capitalisation of the groups and sub-sections of the FT-ACTUARIES Share Indices, as at December 31 1991, are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for the preceding quarter and for December 31 1990 after allowing for the year-end changes.

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses denote number of stocks)							
	Market capitalisation Dec. 31, 1991 £m	% of all share indices	Market capitalisation Sept. 30, 1991 £m	% of all share indices	Market capitalisation Dec. 31, 1990 £m	% of all share indices	
1 CAPITAL GOODS GROUP	180	64,997.93	12.93	75,136.88	14.20	61,799.54	14.87
2 Building Materials	23	11,700.87	2.33	11,724.99	2.39	12,237.71	2.96
3 Chemicals	23	1,147.95	0.23	9,038.06	1.78	2,403.33	0.59
4 Electronics	10	1,854.30	0.37	3,725.72	0.71	2,603.33	0.63
5 Engineering	8	1,854.30	0.37	3,725.72	0.71	2,603.33	0.63
6 Engineering-Aerospace	8	1,854.30	0.37	3,725.72	0.71	2,603.33	0.63
7 Engineering-General	43	7,839.05	1.57	8,977.85	1.63	6,304.82	1.51
8 Health and Medical	9	2,921.67	0.58	2,975.52	0.59	2,997.91	0.73
9 Other	12	3,586.60	0.71	4,363.78	0.83	3,442.77	0.83
10 Other Industrial Materials	10	3,586.60	0.71	4,363.78	0.83	3,442.77	0.83
11 CONSUMER GROUP	189	193,463.37	38.87	187,447.56	36.47	140,970.73	33.94
12 Food and Drink	19	23,376.60	4.62	23,365.31	4.61	27,947.64	6.87
13 Food Manufacturing	19	23,376.60	4.62	23,365.31	4.61	27,947.64	6.87
14 Food Retailing	19	18,275.96	3.67	18,413.16	3.68	15,158.52	3.85
15 Health and Household	24	26,954.24	5.39	26,954.24	5.39	22,119.21	5.39
16 Health & Lifestyle	24	26,954.24	5.39	26,954.24	5.39	22,119.21	5.39
17 Household Goods	24	12,165.16	2.44	13,212.18	2.50	10,944.00	2.63
18 Leisure & Entertainment	25	26,954.24	5.39	26,954.24	5.39	22,119.21	5.39
19 Packaging, Paper & Printing	34	2,943.02	0.59	4,333.11	0.83	3,378.11	0.81
20 Retail	34	2,943.02	0.59	4,333.11	0.83	3,378.11	0.81
21 Services	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
22 Software	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
23 Telecom	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
24 Transport	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
25 Utilities	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
26 Other	117	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
27 OTHER GROUPS	112	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
28 Business Services	112	117,499.25	23.57	117,499.25	23.57	117,791.71	28.07
29 Chemicals	11	17,452.26	3.51	18,193.13	3.44	12,748.04	3.07
30 Consumer Goods	11	13,598.60	2.80	16,707.38	3.18	13,111.18	3.18
31 Electronics	14	15,220.79	3.12	12,045.72	2.28	9,992.75	2.36
32 Engineering	14	15,220.79	3.12	12,045.72	2.28	9,992.75	2.36
33 Electronics	14	15,220.79	3.12	12,045.72	2.28	9,992.75	2.36
34 Telecommunications	14	15,220.79	3.12	12,045.72	2.28	9,992.75	2.36
35 War	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
36 Miscellaneous	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
37 War	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
38 Miscellaneous	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
39 War	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
40 Miscellaneous	14	20,741.62	4.28	24,750.50	4.57	20,545.42	4.97
41 INDUSTRIAL GROUP	481	375,170.74	75.37	390,650.70	75.85	294,641.46	70.88
42 Oil and Gas	16	2,463.18	0.49	2,475.52	0.49	2,227.12	0.54
43	16	408,852.14	82.35	444,930.99	84.12	345,646.70	83.21
50 SHARE INDEX	50	59,536.28	10.25	60,886.69	11.21	58,508.39	14.08
51 FINANCIAL GROUP	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
52 Banks	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
53 Insurance	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
54 Life Insurance	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
55 Insurance (Composited)	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
56 Insurance Brokers	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
57 Miscellaneous	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
58 Property	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
59 Other	9	7,792.81	1.59	30,074.68	5.88	22,971.91	5.58
60 Investment Trusts	69	13,048.08	2.63	14,136.17	2.67	11,860.24	2.71
71 ALL-SHARE INDEX	659	477,772.50	100.0	482,935.85	100.0	415,437.33	100.0

## ECONOMIC DIARY

**TODAY:** North of England education conference in Southport.

**TOMORROW:** Mr. George Bush, president of the US, arrives in Seoul on official visit (until January 7). Republic to nominate delegates to conference in Belgrade on future of Yugoslavia.

**MONDAY:** Major British banking groups' quarterly analysis of lending (September - November). London Sterling certificates of deposit (November). Monetary statistics (including bank and building society balance sheets) (November). Bill turnover statistics (November). Sterling commercial paper (November).

**TUESDAY:** Personal income, expenditure and saving (third quarter). Industrial and commercial companies (third quarter). Romania conducts national census (until January 14). Mr. Bush starts official visit to Japan (until January 8). Mrs. Imelda Marcos faces corruption charges in Manila.

**WEDNESDAY:** Overseas travel and tourism (October). Advance energy statistics (November). Cyclical indicators for the UK economy (October - final estimate). US instalment credit figures (November). European Commission and Portuguese government meet in Lisbon. Middle East peace talks expected to resume in Washington.

**THURSDAY:** New vehicle registrations (November). Housing starts and completions (November). House renovations (third quarter). US producer price index (December). European Community fisheries council meets in Brussels. Bundesbank council meeting.

**FRIDAY:** Usable steel production. US unemployment figures (December). Crop production (January). Conference organised by Ministry of European Affairs in Paris to discuss single European market. Includes politicians, industrialists, unionists, intellectuals and artists (until January 11).

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS										Friday January 3 1992										The Jan 2										The Dec 31										The Dec 20										Year (approx)										Highs and Lows Index																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## D-Mark declines in Europe

THE D-Mark weakened against most European currencies yesterday amid fears over the consequences of a potential interest rate rise in the Bundesbank and a general correction of the optimistic buying in recent weeks.

Economists suggested that traders who had expected some sort of ERM action — such as realignment — over the holidays were unwinding long positions on the D-Mark.

The German currency's weakness was most notable against the currencies which have raised rates in line with the Bundesbank's move on December 19, said one senior dealer.

The peseta had a particularly strong run, and tested its ceiling against sterling, the weakest ERM currency. Traders speculated that the bank of Spain had intervened to pull the peseta back.

The Spanish currency closed higher at Ptas 63.45 per D-Mark, compared with Ptas 63.61.

The French Franc reached

its strongest level since October as one stage, quoting FF348.5 against the D-Mark.

The French currency closed in London at FF348.53 per D-Mark, up from FF348.49.

Sterling still languished at the bottom of the ERM grid, although the D-Mark's weakness has taken some of the pressure off British authorities to raise interest rates for the moment.

"Sterling has finished the week on a stronger note than most people would have imagined on the Monday before New Year," said Mr David Dean, assistant chief dealer at Barclays.

The UK currency was buoyed both by the D-Mark's weakness and the comments made on Thursday by Bank of England governor, Mr Robin Leigh-Pemberton reiterating government statements that there was no immediate need to raise rates. Sterling closed in the mid-range in London yesterday at DM2.8575.

Dealers were cautious over the prospects for sterling, as most of the big market players were still on holiday. Some dealers suggested that sterling had taken some of its shine from the dollar's steady recovery against the D-Mark.

The US currency has gained two pence in two days and last night closed at the day's high of DM1.5465. The dollar also gained early ground at the expense of the yen, climbing to Y226 by midday and finishing at Y224.85, compared with Y224.55 on Thursday.

The dollar is expected to make further gains next week. Both Mr Bush's visit to Tokyo and the absence of further depressing economic figures — at least until the US employment report on Friday — are expected to boost the dollar.

● The Argentine austral has been redenominated as the peso. One peso — equivalent to 10,000 australes — is now equal to one US dollar.

## FINANCIAL FUTURES AND OPTIONS

LIFE LONG CALL FUTURES OPTIONS			
Strike	Call	Put	Settlement
90	3.50	4.10	0.10
95	2.50	3.50	0.10
100	1.50	2.50	0.10
105	0.50	1.50	0.10
110	0.10	0.50	0.10
115	0.05	0.10	0.10
120	0.02	0.05	0.10
125	0.01	0.02	0.10
130	0.00	0.01	0.10
135	0.00	0.00	0.10
140	0.00	0.00	0.10
145	0.00	0.00	0.10
150	0.00	0.00	0.10
155	0.00	0.00	0.10
160	0.00	0.00	0.10
165	0.00	0.00	0.10
170	0.00	0.00	0.10
175	0.00	0.00	0.10
180	0.00	0.00	0.10
185	0.00	0.00	0.10
190	0.00	0.00	0.10
195	0.00	0.00	0.10
200	0.00	0.00	0.10
205	0.00	0.00	0.10
210	0.00	0.00	0.10
215	0.00	0.00	0.10
220	0.00	0.00	0.10
225	0.00	0.00	0.10
230	0.00	0.00	0.10
235	0.00	0.00	0.10
240	0.00	0.00	0.10
245	0.00	0.00	0.10
250	0.00	0.00	0.10
255	0.00	0.00	0.10
260	0.00	0.00	0.10
265	0.00	0.00	0.10
270	0.00	0.00	0.10
275	0.00	0.00	0.10
280	0.00	0.00	0.10
285	0.00	0.00	0.10
290	0.00	0.00	0.10
295	0.00	0.00	0.10
300	0.00	0.00	0.10
305	0.00	0.00	0.10
310	0.00	0.00	0.10
315	0.00	0.00	0.10
320	0.00	0.00	0.10
325	0.00	0.00	0.10
330	0.00	0.00	0.10
335	0.00	0.00	0.10
340	0.00	0.00	0.10
345	0.00	0.00	0.10
350	0.00	0.00	0.10
355	0.00	0.00	0.10
360	0.00	0.00	0.10
365	0.00	0.00	0.10
370	0.00	0.00	0.10
375	0.00	0.00	0.10
380	0.00	0.00	0.10
385	0.00	0.00	0.10
390	0.00	0.00	0.10
395	0.00	0.00	0.10
400	0.00	0.00	0.10
405	0.00	0.00	0.10
410	0.00	0.00	0.10
415	0.00	0.00	0.10
420	0.00	0.00	0.10
425	0.00	0.00	0.10
430	0.00	0.00	0.10
435	0.00	0.00	0.10
440	0.00	0.00	0.10
445	0.00	0.00	0.10
450	0.00	0.00	0.10
455	0.00	0.00	0.10
460	0.00	0.00	0.10
465	0.00	0.00	0.10
470	0.00	0.00	0.10
475	0.00	0.00	0.10
480	0.00	0.00	0.10
485	0.00	0.00	0.10
490	0.00	0.00	0.10
495	0.00	0.00	0.10
500	0.00	0.00	0.10
505	0.00	0.00	0.10
510	0.00	0.00	0.10
515	0.00	0.00	0.10
520	0.00	0.00	0.10
525	0.00	0.00	0.10
530	0.00	0.00	0.10
535	0.00	0.00	0.10
540	0.00	0.00	0.10
545	0.00	0.00	0.10
550	0.00	0.00	0.10
555	0.00	0.00	0.10
560	0.00	0.00	0.10
565	0.00	0.00	0.10
570	0.00	0.00	0.10
575	0.00	0.00	0.10
580	0.00	0.00	0.10
585	0.00	0.00	0.10
590	0.00	0.00	0.10
595	0.00	0.00	0.10
600	0.00	0.00	0.10
605	0.00	0.00	0.10
610	0.00	0.00	0.10
615	0.00	0.00	0.10
620	0.00	0.00	0.10
625	0.00	0.00	0.10
630	0.00	0.00	0.10
635	0.00	0.00	0.10
640	0.00	0.00	0.10
645	0.00	0.00	0.10
650	0.00	0.00	0.10
655	0.00	0.00	0.10
660	0.00	0.00	0.10
665	0.00	0.00	0.10
670	0.00	0.00	0.10
675	0.00	0.00	0.10
680	0.00	0.00	0.10
685	0.00	0.00	0.10
690	0.00	0.00	0.10
695	0.00	0.00	0.10
700	0.00	0.00	0.10
705	0.00	0.00	0.10
710	0.00	0.00	0.10
715	0.00	0.00	0.10
720	0.00	0.00	0.10
725	0.00	0.00	0.10
730	0.00	0.00	0.10
735	0.00	0.00	0.10
740	0.00	0.00	0.10
745	0.00	0.00	0.10
750	0.00	0.00	0.10
755	0.00	0.00	0.10
760	0.00	0.00	0.10
765	0.00	0.00	0.10
770	0.00	0.00	0.10
775	0.00	0.00	0.10
780	0.00	0.00	0.10
785	0.00	0.00	0.10
790	0.00	0.00	0.10
795	0.00	0.00	0.10
800	0.00	0.00	0.10
805	0.00	0.00	0.10
810	0.00	0.00	0.10
815	0.00	0.00	0.10
820	0.00	0.00	0.10
825	0.00	0.00	0.10
830	0.00	0.00	0.10
835	0.00	0.00	0.10
840	0.00	0.00	0.10
845	0.00	0.00	0.10
850	0.00	0.00	0.10
855	0.00	0.00	0.10
860	0.00	0.00	0.10
865	0.00	0.00	0.10
870	0.00	0.00	0.10
875	0.00	0.00	0.10
880	0.00	0.00	0.10
885	0.00	0.00	0.10
890	0.00	0.00	0.10
895	0.00	0.00	0.10
900	0.00	0.00	0.10
905	0.00	0.00	0.10
910	0.00	0.00	0.10
915	0.00	0.00	0.10
920	0.00	0.00	0.10
925	0.00	0.00	0.10
930	0.00	0.00	0.10
935	0.00	0.00	0.10
940	0.00	0.00	0.10
945	0.00	0.00	0.10
950	0.00	0.00	0.10
955	0.00	0.00	0.10
960	0.00	0.00	0.10
965	0.00	0.00	0.10
970	0.00	0.00	0.10
975	0.00	0.00	0.10
980	0.00	0.00	0.10
985	0.00	0.00	0.10
990	0.00	0.00	0.10
995	0.00	0.00	0.10
1000	0.00	0.00	0.10

LIFE LONG PUT FUTURES OPTIONS			
Strike	Call	Put	Settlement
90	3.50	4.10	0.10
95	2.50	3.50	0.10
100	1.50	2.50	0.10
105	0.50	1.50	0.10
110	0.10	0.50	0.10
115	0.05	0.10	0.10
120	0.02	0.05	0.10
125	0.01	0.02	0.10
130	0.00	0.01	0.10
135	0.00	0.00	0.10
140	0.00	0.00	0.10
145	0.00	0.00	0.10
150	0.00	0.00	0.10
155	0.00	0.00	0.10
160	0.00	0.00	0.10
165	0.00	0.00	0.10
170	0.00	0.00	0.10
175	0.00	0.00	0.10
180	0.00	0.00	0.10
185	0.00	0.00	0.10
190	0.00	0.00	0.10
195	0.00	0.00	0.10
200	0.00	0.00	0.10
205	0.00	0.00	0.10
210	0.00	0.00	0.10
215	0.00	0.00	0.10
220	0.00	0.00	0.10
225	0.00	0.00	0.10
230	0.00	0.00	0.10
235	0.00	0.00	0.10
240	0.00	0.00	0.10
245	0.00	0.00	0.10
250	0.00	0.00	0.10
255	0.00	0.00	0.10
260	0.00	0.00	0.10
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270	0.00	0.00	0.10
275	0.00	0.00	0.10
280	0.00	0.00	0.10
285	0.00	0.00	0.10
290	0.00	0.00	0.10
295	0.00	0.00	0.10
300	0.00	0.00	0.10
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340	0.00	0.00	0.10
345	0.00	0.00	0.10
350	0.00	0.00	0.10
355	0.00	0.00	0.10
360	0.00	0.00	0.10
365	0.00	0.00	0.10
370	0.00	0.00	0.10
375	0.00	0.00	0.10
380	0.00	0.00	0.10
385	0.00	0.00	0.10
390	0.00	0.00	0.10
395	0.00	0.00	0.10
400	0.00	0.00	0.10
405	0.00	0.00	0.10
410	0.00	0.00	0.10
415	0.00	0.00	0.10
420	0.00	0.00	0.10
425	0.00	0.00	0.10
430	0.00	0.00	0.10
435	0.00	0.00	0.10
440	0.00	0.00	0.10
445	0.00	0.00	0.10
450	0.00	0.00	0.10
455	0.00	0.00	0.10
460	0.00	0.00	0.10
465	0.00	0.00	0.10
470	0.00	0.00	0.10
475	0.00	0.00	0.10





In	Cash		Net - + Total		In	Cash		Net - + Total		In	Cash		Net - + Total		In	Cash		Net - + Total		In	Cash		Net - + Total	
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[illegible]

World Fair	310 24	18 43
Emerging Planet	310 25	10 57
Emerging Cosmos	310 26	-



## FINANCIAL TIMES WEEKEND JANUARY 4/JANUARY 5 1997

pm)

January 3	US\$	+ or -
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[illegible]

NEW YORK ACTIVE STOCKS			
Thursday	Stocks traded	Closing prices	
Top 10 U.S.	3,363,000	34%	
Philip Morris	2,490,000	79%	
Air & T	2,383,000	37%	
Gen Motors	2,184,000	41%	
AT&T	2,164,000	30%	
Electronic World	2,123,000	59%	
Canadian Com	2,114,400	29%	
Wall Street	2,067,300	59%	
Bank Americ	2,064,000	74%	
Regulus	2,033,600	33%	

CANADA TORONTO			
	Jan	Dec	
Compo & Milners	2035.22	251	
Investco	466.66	3512	
MONTREAL Portfolio	1896.25	1860	

Base values of all indices are 1000 except for Toronto Composite and Metals - 1000.

1. Excluding bonds & industrial, plus

... Inc.	79
... Corp.	80
... Inc.	81
... Corp.	82
... Inc.	83
... Corp.	84
... Inc.	85
... Corp.	86
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... Inc.	193
... Corp.	194
... Inc.	195
... Corp.	196
... Inc.	197
... Corp.	198
... Inc.	199
... Corp.	200

TRADING ACTIVITY			
	I Volume	Jan 2	1991/92
New York SE		203,600	24
Amex		18,024	3
NASDAQ		1,01,361	
NYSE			
Trans. Traded		2,192	
Miss		849	
Fails		929	
Unchanged		414	
Miss High		118	
Miss Low		3	

Dec 90	Dec 87	1991/92
27.66	22.44	MIKIM
3299.99	3299.99	0.87/791
3604.09	3604.09	0.22/11.31
1452.13	1452.13	0.22/11.31

SE All Common - 50; Standard and Poor's indices based 1975 and Montreal P. indices, Financial and Transportation. (c)

[illegible][illegible][illegible][illegible][illegible][illegible][illegible]

973	MH&J
1,430	M&J Perf
1,430	M&J Stage 5
1,430	M&J Oak Lake
1,430	M&J S&S
979	M&J Tahoe Ranch
1,430	M&J Tourist
678	M&J Tr&B
2,100	M&J Truck
2,100	M&J Truck
2,859	M&J Van W
1,510	M&J Sports
2,370	M&J Sports
2,050	M&J Sports
704	M&J Sports
1,050	M&J Sports
1,050	M&J Sports
3,220	M&J Sports
440	M&J Sports
1,430	M&J Sports
369	M&J Sports
1,430	M&J Sports
4,300	M&J Sports
1,430	M&J Sports
2,100	M&J Sports
750	M&J Sports
2,280	M&J Sports
1,430	M&J Sports
950	M&J Sports
650	M&J Sports

[illegible][illegible][illegible][illegible][illegible]

00.00	Public Bank	.....
+0.02	Stone Dairy	.....
+0.08		
+0.01		
+0.06		
+0.02		
+0.01		
	<b>SINAGROSE</b>	
	<b>JANUARY 3</b>	
	Gold	.....
+0.07	Debt & Savings	.....
+0.10	DBS	.....
+0.02	Fraser & Neave	.....
+0.02	Hiem Pak	.....
+0.02	Indochina	.....
+0.02	Kong Heong Corp	.....
+0.02	OCBC	.....
+0.02	GUB	.....
+0.02	Sing Air Free	.....
+0.02	Singapore Press	.....
+0.02	Straits Trading	.....
+0.02	Sumitomo	.....
+0.02	UOB	.....
	<b>Price data supplied by</b>	
	<b>NOTES - Prices on</b>	
	<b>quotation on the market</b>	
	<b>are in U.S. dollars.</b>	
	<b>dividend. # Dealings are</b>	
	<b>shown. # U.S. per share</b>	
	<b>are in U.S. dollars.</b>	
	<b># Selling to institutional</b>	
	<b>investors. # U.S. per</b>	
	<b>share are in U.S. dollars.</b>	
	<b># American stock</b>	

	+0.75
	+0.65
	+0.25
	-0.05
30	+1.90
	-0.02
	-0.02
	+0.10
	+0.05
	+0.05
	+0.04
	+0.04
	+0.03
	-0.01
	+0.03
	-0.03
	-0.03
	+0.08
	+0.03
	-0.02
	+0.05
	+0.05
	+0.04
	+0.03
	-0.02
1.0	
	-0.01

-0.04  
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 -----  
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 -0.02  
 -0.05

192 40

1. *Phragmites australis* (Cav.) Trin. ex Steud.



**LONDON SHARE SERVICE**[illegible]

**PACKAGING, PAPER & PRINTING - Cont.** **STC**[illegible][illegible][illegible]

London show when our available on 5

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# Weekend FT

SECTION II

Weekend January 4/January 5 1992

**Nicholas Woodworth finds pathos in communism's collapse as he travels with a modern-day white slaver on the Tbilisi-Yerevan express to a brothel**

IT IS mid-day, and in the dismal suburbs of Yerevan, Armenia, she sits at a small table in a red dressing gown, smoking cigarettes and slowly waking up. By the window, her face plump in the grey autumn light, Natasha begins to work on the pullover she is knitting. She is hungover, keeps missing stitches, and occasionally breaks the silence with muttered Russian curses.

At the end of the tiny kitchen, Anna stands over a mirror placed on the top of the refrigerator. Carefully she applies lipstick, eye-liner, and rouge. Anna is 17 and loves colour, music and anything else that brightens life in this benighted city of the former Soviet Union.

Don't I think she asks me in broken English as she gazes intently in the mirror, that most Armenian women are dull and dowdy? I find myself unable to reply. I murmur non-committally, and continue to sip tea. Somewhere along the way in the last few days I have lost any feeling for the criteria normally used to judge people. These are, after all, peculiar times.

Not long ago the Soviet Union was known as one of the most controlled, monitored, and regulated societies in the world. Now, even here in traditional, conservative Armenia, isolated by the Caucasus and far from the main theatres of change, revolution has stood everything on its head.

Political and economic structures have collapsed. Ideological guidelines have disappeared. Communism has failed. Capitalism has yet to get off the ground. In this limbo none of the old rules, or any rules at all, seem to pertain, except one: if the system does not work, work the system. Like the streets of Moscow, Odessa or Tashkent, the streets of Yerevan have become schools of hustle, scam and the wilder extremes of free market philosophy.

Are most Armenian women dull and dowdy? I cannot say, any more than I can say if these three women lounging away the morning in Natasha's flat are the epitome of prostitution, vulgar or immoral. For them morality or immorality is beside the point: what counts is simply getting by.

My intrusion into the lives of Rosa, Natasha and Anna was not a calculated one. It began, as many irregular things begin, with a train journey. The night train to Armenia from neighbouring Georgia is not well organised. There is not a single light on the main platform of Nevot Station in Tbilisi. Trains leave at irregular hours from platforms announced at the last second. Conductors remain indifferent to the fate of their charges.

The Tbilisi-Yerevan express seems symbolic of the whole juddering ride of eastern Europe into the western world. Half an hour after we pulled out of Tbilisi, I was still wandering dim, crowded corridors,

looking for a carriage and compartment that turned out not to exist. What I did find, however, was a squat, ugly, powerfully-built Armenian named Aram. Aram had a large white smile and a lot of gold rings on his fingers. He was proud of his second-hand knowledge of English. He stopped me in the corridor, and we chatted about Big Ben for a while. Then, after a short silence, he told me he was not travelling alone.

"Two girls I have with me," he said with an air of self-congratulation. "That's nice. Are they little girls?" I responded, thinking him merely one more proud father. "No," he replied with his widest smile and appropriate wide-palmed gestures over his chest. "They are big girls."

In Aram's tiny, overheated train compartment I met Gala and Irina. Gala, a tall redhead in her late teens, was decked out in skimpy cotton pyjamas. Irina, heavier-set and a little older, was dressed in a good deal less, and struggled into a track suit as introductions were made. Neither woman were great beauties, but both had a youthful freshness. As the train rattled through the night we brewed thick black Turkish coffee, drank Georgian brandy, chain-smoked an endless supply of Aram's American cigarettes and made small talk.

"I am not interested money, I am not interested politics," Aram explained through a heavy tobacco fog. "I am interested only love." He smiled at Gala and gave her a quick tweak on the bottom. She smiled back. But Aram's interest in love, it turned out, was not on the lines of simple boy-meets-girl romance. Aram, in fact, was a modern-day white slaver, and was running Irina and Gala down to Armenia from their home in the Ural mountains.

These were not hardened pros. Like a large and growing number of young women in the former Communist states, they were pushed into prostitution by a lack of any other livelihood. In the Urals, they had been just two more months to feed; in Yerevan, they would be exotic, light-complexioned objects of attraction, and make themselves and their procurer a livelihood. When they had had enough and made sufficient money, they said, they would head back to their homes and a more normal life.

In the meantime, Aram was finding them a distraction from a long and boring trip. Perhaps I, too, he required hospitably, would enjoy a little distraction? It would cost only 30 roubles an hour, about 95 US cents at today's exchange rate, surely an honest price for a friend. He indicated the compartment's narrow upper bunk.

What was this sign, a country where was part of a global superpower, that put men into space and proclaimed 70 years of struggle for human dignity, offering up its youth for the price of a bag of



## Why Natasha and Irina are up for sale

crisps? I looked around the tiny room, not more than four by six feet square, and at the faces of Gala and Irina, lively with talk and brandy. Before I had time to reflect on the meaning of it all, there was a timely knock at the door. Irritably assigning me a new compartment, a ticket collector brought the evening to a rapid halt.

But Aram had offered me more than just an hour with Gala and Irina; before I left he also offered me a place to stay in Yerevan. For a small introductory fee, he said, he would take me to a friend of his, someone who would welcome extra dollars in exchange for a few nights' stay. What he did not tell me was that his friend was a madam running a call-girl business.

Rosa, when I met her, is a middle-aged woman with a tired face and kind eyes. Once she was pretty, but has let herself go. She smokes incessantly, drinks too much, and has put on too much weight. There are

times when she is bright and animated, others when she sits despondently in the kitchen, her face drained and vacant.

It does not take long to get to know her; she is friendly, intelligent, and warm-hearted. She is also frank about her business; it is, she says, the only way she and her daughter Anna have been able to survive.

Rosa is well educated. Divorced, she has a degree in Slavonic studies from the University of Yerevan, and worked for 15 years as an office manager in a state-owned electronics firm. Her salary was 450 roubles, a sum that each month allowed her to make less than two weeks' worth of essential household purchases.

Arranging sexual contacts is not making Rosa rich, but it gets her through the month. Many of her clients, functionaries in state factories and marketing networks, pay her in commodities much more appreciated than roubles - sugar, coffee, eggs, meat, soap and other

items unavailable in the shops can be found in Rosa's kitchen.

But without leaving her cramped studio flat, where day couches and collapsible cots make up accommodation for us all, I can see that life on the whole remains what it has long been - a dull exercise in cynicism, futility and resignation. Things, in fact, are even worse now than they were before.

The room in which we live remains dark for most of the day; after Armenia's declaration of independence from the Soviet Union, oil imports for power generation were cut. Gas for cooking and heating in these suburbs is fast running out, too, and will be gone before mid-winter. If it were not for Rosa's business, we would be living, as most people are, simply on fruits and vegetables harvested this autumn - soon these will run out. There is nothing to buy in the shops and housing is appalling. From the window I can see endless rows of apartment blocks stretching away

to the horizon - they are so uniformly dingy, dilapidated and overcrowded that the suburb is known locally as Bangladesh.

"In Armenia," Rosa tells me one afternoon between telephone calls and the comings and goings of grotesquely made-up women, "everything is a problem. Food. Clothing. Transport. Heating. Electricity. All are problems. But sex, sex is no problem."

Indeed, the one import that still seems to be in steady supply from Russia is young women. Thus the presence of Gala and Irina on the train, and of plump, fair-haired lodger Natasha in Rosa's flat. Armenian men, it seems, prefer blondes. And Russian prostitutes, according to Rosa, offer the additional advantage of being less fussy. "Armenian girls want presents, expensive dinners, and American dollars," she says. "Russian girls are happy with vodka and roubles."

For her daughter Anna, Rosa wants much more than presents or

dinners - she wants to get Anna out of Armenia and living with distant relatives in Paris. For this she is saving every rouble she can to exchange for black market dollars. "Isn't immigration to the west very difficult?" I ask. "Not as difficult as staying here and living as I do," Rosa replies grimly.

For the moment Anna is nothing like her mother - she is friendly with the girls who work for Rosa, but does not share or want their life. She believes in another future. She wants to study computer programming, have money to buy fashionable clothes, and live somewhere where the halls do not stink of boiled cabbage.

A couple of days after I arrive Anna and I escape the telephone calls and Natasha's fish-net stockings hanging over the broken bathroom radiator, and indulge in one of her favourite pastimes - going to church.

It is not that Anna is overly religious, but in this Soviet-designed city of vast stone ministries and oppressive monumental statuary, there are few other places quite as appealing. Off Mashtots Avenue, we enter a dark and ancient orthodox church smelling of incense and candles. Anna crosses herself and we each light half a dozen thin wax tapers. We place them, besides scores of others, in front of a brass-bound triptych and richly-coloured oil paintings of the Virgin Mary. Suffused in the rich golden glow of candlelight, Anna's face, for just a moment, mirrors the contented faces in the images before her.

One afternoon Rosa and Natasha, dressed and made up, told me to get my jacket on: they had a surprise, they said. Outside in the street a driver and battered black car were waiting, and in we piled. We cruised through the city, picking up women at shabby tenements here and there until the car was jammed and reeking of perfume.

We entered an industrial zone, a wasteland of crumbling breeze block hangers and rusted-out trucks, and stopped outside an office. Three evil-looking men, all whiskers, cheap baggy suits and gold teeth, climbed into another beat-up black car and followed us. We repeated the process a number of times, until four black cars were on our tail. The cortège rolled out into the arid and rocky Armenian countryside, the girls chatting, Rosa enjoying my mystification.

After an hour's drive through desolate, denuded hills, we arrived at Lake Sevan. In official tourist guidebooks the lake is known as the Jewel of Armenia, in the annals of Soviet hydro-electric power generation as an ecological disaster - constant drainage over the decades has almost destroyed it. Nonetheless, it is still a place to which Armenians repair for recreation.

Recreation is what we came for, too. The evil men with gold teeth turned out to be managers of a state food co-operative, friends of Rosa. They had arranged a banquet at one of the lakeside hotels, but this was not really the main programme of the day. Within no time, polite toasts over pickled peppers, kebabs and Lake Sevan trout had turned

Continued on Page VI

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Lucia van der Poet takes to the piste to see what the well-dressed skier is wearing. Page VII

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The Long View/Barry Riley

## Voting against inflation



WILL index-linked gilts prove to be the surprise winners among investments in 1992? To judge by the wave of devaluation talk over Christmas and the New Year you could be forgiven for thinking

so. There is an inclination to blame the Germans, and more specifically the Bundesbank, for behaving irresponsibly in the middle of a global recession. But the Bundesbank is just about the last defender in the world of honest money, and at times like this the cost of preserving the value of a currency can become painfully obvious. In any case, Britain's inflation is a British problem. Underlying inflation is still between 5% and 6 per cent, and pay inflation continues to run at some 7% per cent. Since the UK became a full participant in the European Monetary System 15 months ago British pay rates have risen by some 10 per cent in spite of the recession and the rapid growth of unemployment. The UK is plainly drifting towards a currency crisis created by itself, not the Germans.

Another manifestation has been in the continued excess of demand relative to the British economy's ability to supply. Forget the misleading squeals of the retailers, the fact is that at the national level imports still exceed exports, even in the depths of a serious recession. Any period of sustained economic growth at the current exchange rate will inevitably lead straight to an unmanageably large trade deficit.

Devaluation is a means of restoring a balance, at least temporarily. Externally it can be seen as a cut in real wages, so that exporters become competitive again, and demand for imports is reduced. Internally, however, the mechanism is more complicated. Inflation has the effect of pricing overpaid workers back into their jobs, so that they are not required to accept humiliating cuts in nominal pay; but inflation also tends to damage investors, most obviously by reducing the purchasing power of bank deposits, but also in other ways, such as by making it difficult for companies to

earn profits large enough to replace their stocks and physical capital at updated prices, a problem which hits share prices. At the same time, inflation helps borrowers to evade their full commitments.

When the vulnerable groups in society, such as investors and pensioners, are unprotected against inflation a comparatively small change in prices may be enough to achieve the required shift in wealth. But when they are well-protected, through ownership of inflation-proof assets or the benefit of index-linked pensions, the inflation may need to be much more rapid. Ultimately you arrive at Latin American-style hyperinflation, although in the UK bursts of inflation of around 20-25 per cent in the early 1920s and the 1970s, and again at the beginning of the 1980s, have been enough to solve the worst problems.

As I have said before in this column, the UK approached the challenge of the European Community's exchange rate mechanism the wrong way round. We should have aligned the economy first, reducing monetary growth and inflation over a period, and then joined at a stable long-term exchange rate. However, I am conscious of being vulnerable to charges of political naïveté, because without a tough external constraint the necessary measures could never in practice be imposed. So John Major as Chancellor in 1990 did it in reverse. The once-famous "Madrid conditions" were ignored. As a pragmatic politician he entered the ERM with UK inflation over 10 per cent precisely as a means of bringing prices under control. But the contradiction remains. If the country did not have the political gumption to solve its own inflation problem will it have the determination to remain within the ERM when the going gets really tough?

In their New Year messages we have been able to observe John Major and Norman Lamont still wriggling with embarrassment over the economic "recovery", which Lamont continues to claim will be gathering momentum over the coming months. It would have been much better to say there can, and should, be

no recovery until pay inflation has collapsed: no more than 4 to 5 per cent is tolerable even in normal conditions, and in the present recession 2 to 3 per cent must be the target.

Unfortunately, this kind of battle can be faced only by an administration that has just won an election, not by one that must face the country within the next six months. Low inflation is one of the government's chief policy objectives, and quite rightly so; but there seems to be great nervousness over whether it will win many votes. Norman Lamont's remark some months ago that high unemployment is a price well worth paying in order to achieve low inflation is still being used against him; it appears to have been too brutally honest for widespread public consumption, which is not a good sign.

But it is no use just relying on the Bundesbank to beat British inflation. The government will come to regret its failure to encourage a quicker adjustment in the labour market. As for the asset markets, the crisis in property was inevitable, but surely should have been presented as a necessary step towards affordability in housing, not as some sort of emergency to be solved in 48 hours just before Christmas.

It will take a brilliant exercise in political leadership if the transition to low inflation now being attempted is to be accomplished successfully; the mumbled apologies, deceptions and excuses now being put about by leading ministers do not inspire much confidence. I am not a devaluationist, but the pound sterling cannot be saved on the basis of minority support. At any rate, during the past week or two the London stock market has been influenced more by New York's cheap money and devaluation boom than by the expectation of a harsh domestic struggle. In the event gilt-edged securities did not manage to achieve a higher annual rate of return than UK equities, which gained 5% per cent in the final four trading days of the year.

Index-linked gilts were the dullards of 1991, as inflation came tumbling down and real interest rates stayed high. But they could still be a valuable part of a portfolio for 1992.



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## FINANCE AND THE FAMILY

## London Markets

## Thoughts of a fund manager

AS THE last chimes of midnight died away on Tuesday night, professional fund managers must have breathed a sigh of relief. The FT-SE index had risen 6 per cent over the Christmas period, chalking up half that gain on New Year's Eve. Those fund managers who had stayed in equities in the autumn, struggling off the market's wave of pessimism, were relieved of nearly half the penalty of loyalty. FT-SE ended 1991 only 7 per cent below its September peak. However, the London market's surge - from 2345.4 on the FT-SE on December 23 to 2504.1 yesterday - took place on very low volume. Market-makers set their price quotations in the light of New York's strong performance during the period, rather than on the basis of any real supply and demand pressures in London. As the chart shows, movements in New York were faithfully echoed in London a day later: when New York soared ahead of London, London followed at a slightly more modest pace; when New York eased, as in the closing days of this week, London backed off too.

The question that awaits Monday's trading, therefore, is simple: will fund managers buy

at these prices? If institutional investors decide that the end-year run-up was simply an unexpected bonus, but not a true guide to the London market's value, then prices will drop back down again. If they decide today's prices are more realistic than those of only two weeks ago, then they will be willing to continue buying, in self-fulfilling anticipation of the traditional January surge.

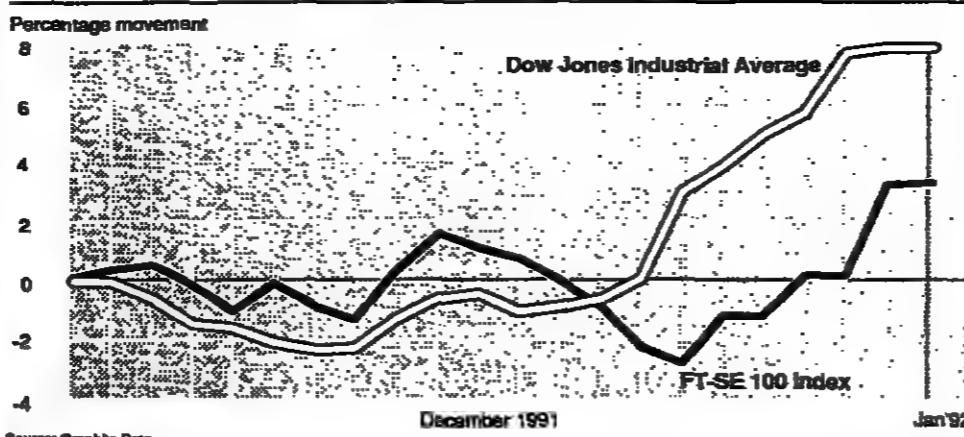
Fund managers' bath-time thoughts are always relevant to the private investor, because institutions are the dominant influence on UK share prices. But they are particularly relevant now, after a rally as precariously based as the one we have seen over Christmas.

Here's a summary of the views of one successful fund manager, pondering some of these issues yesterday.

■ Is the market overvalued? No: shares are now close to fair value, having looked very cheap a couple of weeks ago. By international standards, London still looks cheap, especially in comparison with New York. The uncertainties of the year ahead - an election, the uncertain start to economic recovery and so on - are fully reflected in share prices.

■ Is the latest rally over? Probably not. London usually

## Where New York leads, London follows



tracks New York closely, and earlier this week there was quite a gap between the two as US share prices accelerated ahead. The gap is now partly closed, but there is some way to go before it is eliminated. ■ Is the election a worry? Yes, but not because Labour may win. In fact, a Labour victory might not be a bad thing (though it would probably lead to the market trading at a slightly lower multiple of earnings). The market would be

much more concerned, however, by a hung parliament: that would really be a worry. ■ What other factors are at work? German interest rates: but they may be a positive, rather than a negative influence in the months ahead. The market will soon come when the market starts looking for German interest rates to come down. Once the market gets a whiff that that might happen soon, it will go higher.

■ Will there be another surge of rights issues? Yes, probably starting towards the end of January. Badly handled issues, as in the autumn, will stop the market dead for a while. But perhaps companies and their advisers will have learnt a lesson from last year. There will also be a steady flow of other calls on cash, such as payments for previous privatisation issues, but institutional inflows of funds remain healthy. At some point there will be a surge of cash from abroad as international investors start to take advantage of the UK market's relative cheapness.

■ Which sectors will do best? Sometime this year, the recovery stocks, especially capital goods, will at last start to outperform the defensive stocks, such as the drug companies and other members of the Health and Household sector of the FT-Actuaries index. However, it may be anything up to six months before the shift

happens, because there is still more bad news to come from the capital goods companies in the early part of the year. ■ Will equities continue to outperform gilts? Yes, though the gap has narrowed. UK quoted companies have provided real dividend growth of 2 per cent a year for the past 20 years, and that is likely to continue. Those views, drawn from one fund manager, are probably representative of the mainstream view in the professional investing community. What could upset this generally favourable set of prospects? The biggest likely spanner in the works would be a long delay before German interest rates come down - or, worse still, a further rise.

■ Much therefore hangs on the outcome of the German pay round, now getting under way. Claims already made are for wage rises of around 10 per cent, compared with last year's 7 per cent. The chances are that the final outcome will be increases of around 5 per cent, but getting there will be hard. There is unlikely to be any good news on German interest rates until the Bundesbank is convinced that settlements will be sensible. So UK investors will spend the next few months hoping for moderation on the part of German trade-union officials. Welcome to the new Europe!

Peter Martin

## Serious Money

## The end is not yet nigh for investors

By Philip Coggan, Personal Finance Editor

GLOOM, GLOOM, all around is gloom. It was hard to enjoy Christmas while one pundit after another popped up in the media to pronounce, like Private Fraser in "Dad's Army", "We're all doomed!"

Sages have predicted a worldwide slump to rival the 1930s, with financial crises bringing down many a famous corporate name. The pound will be under pressure, interest rates will continue to fall. No one has yet forecast a plague of boils but it cannot be long before they do.

Savers naturally are worried. Some have even suggested that the traditional "safe havens" in troubled times - banks and building societies - are not as secure as they used to be. But how much notice should savers take of all this pessimism? As a rule, journalists love bad news, and financial journalists are no exception. The collapse of a corporate empire such as Robert Maxwell's is always likely to generate more column inches than the success of, say, Glaxo. A 100 point fall in the FT-SE 100 makes better copy than a 100 point rise.

Readers can therefore dismiss some of the catastrophe stories being printed as the natural journalistic relish for crisis. There may also be a psychological reason or two behind the gloom spread by economists and stock market analysts.

Normally, it pays a forecaster to be reasonably optimistic. Economies grow, more years than not, and stock markets rise, more years than they fall. In the 1980s, analysts got used to seeing companies produce 20 per cent per year earnings per share growth. The tendency to extrapolate from past trends, plus the natural enthusiasm for the companies they follow, meant that sector analysts were slow to see the effect of higher interest rates and the recession on corporate profits.

Over the last couple of years, therefore, the trend has been for analysts to be initially over-optimistic in their forecasts for profits growth - and then be forced to indulge in a round of downgradings. That process has just occurred in respect of 1992 profits expectations.

Economists were never quite as bullish as the sector analysts, but even they, given the natural bias of the City, had a tendency to take the Panglossian view that free markets would ensure that all would be for the best. They, too, have been cutting their forecasts for economic growth in 1992.

In short, the recent bout of pessimism is in part a reaction to the over-optimism that went before it. This is not to say that the world economy does not face enormous problems; just

In the long run, savers will not prosper by investing solely in deposits

that the average saver needs to keep a sense of proportion. Take the stock market. Those who bought shares or unit trusts back in 1985 or 1987 learnt to their cost the penalties of buying at the top of the market. Now they must learn the benefits of buying near the bottom.

One need not get too carried away by the 73 point one-day rise in the FT-SE 100 index. It was achieved on thin volume and could easily be reversed (and more) by a run on the pound. Nevertheless, statistics show that when the stock market yields more than 5 per cent it is a good time to buy shares. The profits will not come instantly, the wisdom of the purchase will only be proved over three or five years. But such a strategy has been successful even during crises such as the 1929 depression and the 1974 oil shock. It is, admittedly, tempting to

fight shy of shares at the moment. With interest rates on some accounts at 11 per cent or more, and inflation at 4 per cent, the real returns to savers of 7 per cent are very high by historical standards.

Those worried about the stability of individual financial institutions should not invest more than the deposit protection scheme limit of £20,000 with any one group. It may mean giving up the 0.5 of a percentage point or so offered on higher sums, but it will be worth it for peace of mind.

In the long run, savers will not prosper by investing solely in deposits. Real rates of 7 per cent cannot be sustained for ever without driving the economy into penury. For what might happen, one need only look at the US where savers are being offered rates of a measly 4.5 per cent - their search for better returns elsewhere is part of the reason for the recent strength of Wall Street.

Prudent investors should therefore be shifting part of their funds out of deposits before interest rates fall. Given the risk of further individual corporate calamities, any purchase of equities should be done through the vehicle of a unit or investment trust. But for those who, whatever the rationale, simply cannot face the risks of equity investment, there are alternatives. If interest rates are set to fall, the 5.5 per cent tax-free on offer from National Savings (the equivalent of 14.17 per cent for higher rate taxpayers) looks highly attractive. And gilts, which currently yield around 10 per cent, should show capital gains if interest rates fall - although the rise may be limited by the widening government deficit.

In other words, savers should not despair. Universal gloom does not eliminate investment opportunities; indeed, to some extent, it creates them. As Corporal Jones would say in response to Private Fraser, "Don't panic!"

## HOW SHARES HAVE MOVED

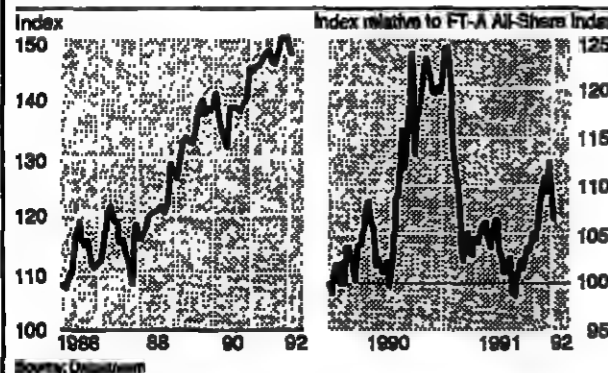
The following table shows the percentage movement in the FT 30-share index and its constituents during 1991. The FT-SE 100 index is also shown.

	Price on Dec. 31	% change	1991 High	1991 Low		Price on Dec. 31	% change	1991 High	1991 Low
FT 30 Index	2345.4	+13	2105.3	2004.3	BSI	300	+17.5	322	190
ABNA	241	+65.7	133	96	Glaxo	880	+101	573	490
Allied-Lyons	619	+33.7	582	490	Grand Nat	288	+36.7	264	223
BSG	620	+3.1	476	394	Johnson	690	+53.7	626	394
BOG	610	+33.8	628	490	Norwich	390	+2.1	349	178
BT	380	+34.3	485	289	ICI	1210	+36.7	1081	845
Britt Cattle	210	0	280	190	Lease	110	+2.1	178	104
BSA	420	+34	448	304	Barclay & Plummer	270	+36.7	301	212
British Airways	220	+53.2	334	131	Refined Bank	277	+3.7	375	340
British Gas	260	+17.3	294	210	P & O	400	+15.2	385	332
BP	230	+15.3	261	200	Reckitt Benckiser	1035	+46.0	1040	678
British Telecom	200	+15.7	225	200	Reynolds	340	+36.3	401	310
Canary Wharf	421	+33.1	440	314	Scott, Bannister & A	890	+41.5	397	280
Comet	400	+3.3	307	200	Tate & Lyle	401	+46.3	400	320
Fortis	230	+3.3	262	200	Thorn EMI	740	+3.3	320	300
GE	290	+10.3	320	200	FT-SE 100	2404.1	+13.3	2073.5	2004.3

\*Adjusted for capital changes, 1. Rebased Number Shaded 20/11/91.

## AT A GLANCE

## Index-Linked Gilts



## Gilts prove their worth in the long term

Index-linked gilts have proved reliable friends for investors over the last couple of turbulent years for stock markets. As the left hand graph shows, the normal pattern for index-linked gilts is steady growth over the long term. Conversely, this means that the index-linked tortoise can beat the equity hare, as shown by the right hand graph. Private investors should also remember that a large part of the return on index-linked is tax-free, and that it is easier to construct a representative portfolio of index-linked than it is to put together an equity portfolio that matches the All-Share index.

## House prices fall further

House prices fell by an average 1.2 per cent in December, according to the Nationwide monthly house price index. The fall compares with a 1 per cent rise in the November index. Over the past year, house prices have fallen by 2.2 per cent. The average house sold in December cost £55,625 compared with £57,476 a year earlier and £59,272 in June 1991.

## TSB cuts overdraft rates

TSB has cut its interest rates on personal customer current account overdrafts from January 1. All the main TSB current accounts will now carry the same interest rate on overdrafts: 1.75 per cent month for authorised overdrafts and 2.5 per cent on unauthorised overdrafts. In both cases, rates have been cut by 0.1 percentage points a month. The effective annual rates vary slightly for each account, ranging from 22.1 per cent to 22.7 per cent on interest cheque and cheque accounts and 34.4 to 35.5 per cent on high interest cheque and Interest Plus cheque accounts.

## Double PEP launch by Fidelity

Fidelity has launched two new Personal Equity Plans. The European Growth PEP will invest £3,000 in a mixture of the company's European unit trust and the recently-launched European Values Investment Trust. The remaining £3,000 will be invested in around 10 shares, with a European bias. The initial charge is 5.25 per cent (with a 1 per cent discount on PEPs opened before April 5) and the annual charge is 1.5 per cent. The group is also offering a single company PEP, where £3,000 will be invested in a single share chosen by Fidelity. The initial charge is 3 per cent; annual charge 1 per cent.

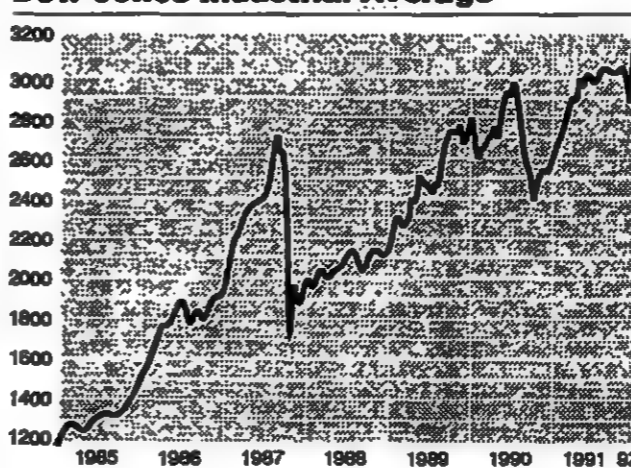
## Fixed rate mortgage offers

New fixed rate mortgages continue to be offered. Barclays has launched fixed rate mortgages for two, three, and five years at 10.8 per cent (APR 11.4 per cent for endowment/pension) and 11.8 per cent repayment. An application fee of £150 is waived if the customer arranges an endowment, pension or mortgage protection policy through Barclays. Early redemption penalties vary between two and five months' interest. Abbey National is offering a three year rate of 10.55 per cent (APR 12.10 per cent) with an administration fee of £135 and a 90 day redemption charge. Its five year fixed rate is 10.80 per cent (APR 12.10 per cent) with a charge of £185 and redemption penalties of 180 days interest till April 1993, declining thereafter. Leeds Permanent is offering mortgages at 11.25 per cent (11.9 per cent APR) for two to five years. A second mortgage is fixed at 10.6 per cent (11.9 per cent APR) for three, four, or five years. The loans are portable and available for repayment mortgages. Customers must buy two insurance products if no new life policy is taken out. Early redemption penalties vary between one and six months' interest.

## Wall Street

## Bulls cheer the 'January effect'

## Dow Jones Industrial Average



analysts, believe this is a fool's rally and the stage is merely being set for a plunge in the Dow towards 2,500 as the US enters a severe "double dip" recession.

A majority of Wall Street's pundits are probably cautiously optimistic, fully expecting an economic recovery but concerned that, as in the early months of 1991, the market is in danger of getting ahead of

itself, anticipating too much good news. Certainly, the news of the past week has been mixed and shows little economic or corporate evidence of an early recovery.

The National Association of Purchasing Managers Index fell below 50 per cent in December for the first time in six months - indicating a contracting manufacturing base.

True, figures for sales of existing houses showed a 5.7 per cent year-on-year gain in November, showing that low interest rates are starting to get that market moving. Yet any strong recovery in housing and other key sectors, such as automobiles, will be dependent on an improvement in consumer sentiment, and the much-followed confidence index produced by the Conference Board was virtually unchanged in December from November's insipid reading. Yet that in itself may be mildly encouraging, since it suggests that confidence may at least have touched bottom.

Sluggish Christmas sales claimed a large corporate victim this week when Zales, the largest jewellery retail chain in the US, announced that it

was closing 400 of its 3,000 outlets and stopping payments to its creditors as part of a financial restructuring which, many analysts believe, will involve a passage through the bankruptcy courts.

Zales, which was acquired in 1986 by a Canadian company, Peoples Jewellers, and Swarovski International of Switzerland, had been alluring financially for months and sent early warning signals of its problems in early December when it missed an interest payment. The company forecast that Christmas sales would enable it to meet the payment before a grace period ended last Thursday.

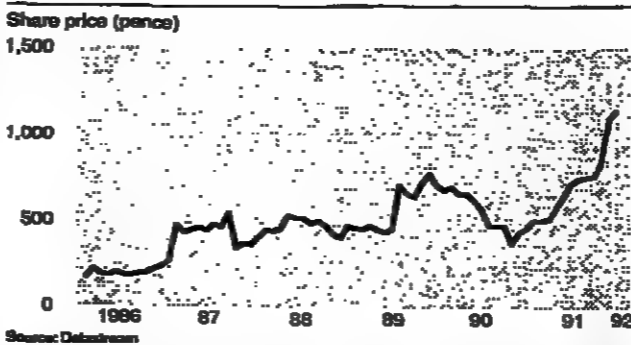
In the event, Christmas sales were awful - down more than 10 per cent on 1990 - prompting this week's drastic action. But Zales may be just the first in a string of retailers - finally due to the brink of bankruptcy by the singularly unhelpful, festive season.

Martin Dickson

## The Bottom Line

## Market remains addicted to Wellcome magic

## Wellcome



This is significant because antiviral drugs are rare. Since the discovery of penicillin, the pharmaceuticals have seen their greatest successes in defeating bacteria, rather than viruses. Even in 1992, dealing with everyday viral infections such as influenza is a hit and miss affair.

Of the two drugs, Retrovir is the more famous. Until a few months ago, it was the only approved treatment for Aids in the US. Even now that US doctors

have occasionally caused sharp falls in the share price.

Out of the limelight Zovirax has been a much bigger contributor to Wellcome's success. While political lobbying over Aids in the US cut the price of a year's supply of Retrovir from \$8,234 at launch to \$2,200 (£1,208.70) now, Zovirax has faced no such pressures.

The bottom line shows what this means. In the year to August 1991, Zovirax sales rose 36 per cent to £471m while Retrovir's improved only 4 per cent to £177m. Zovirax has no serious rivals and Wellcome estimates that it has more than 80 per cent of the herpes treatment market.

So the rising share price is no slight of hand. And it needed no flamboyant chief executive with a penchant for adventurous accounting.

That said, the statistics for 1991 are slightly flattening. The shares fell in 1990 as profits failed to come up to expectations. "So the 1991 share price performance was a recovery from a low base," says Hall.

There are also doubts over the importance of the research

data released this week. "These results are pretty inconclusive and the trial need to be followed a lot longer," says Hall. The news received wide publicity at a quiet time of year, exaggerating the effect on the shares. "The market has always tended to over-react to news on Wellcome," says de Pass.

The domination of the herpes and Aids niches have nevertheless taken Wellcome shares to extraordinary levels. The price/earnings ratio is 38, compared with a market average of around 14. At these dizzy heights, analysts are considering taking profits. Robin Gilbert of James Capel has been a buyer of the stock since October 1990 and is now "inclined simply to recommend a hold". Hall says "it will be very difficult for Wellcome to outperform the market over the next 12 months."

The City has not lost confidence in Wellcome, but it might take some real magic to keep the share price growing quickly for another year.

Daniel Green

## FINANCE AND THE FAMILY

## World seeks to break a spell of recession

Leading economists Giles Keating and Peter Oppenheimer foresee a difficult 1992 for financial markets

**L**AST YEAR was a tough one for the world economy and 1992 looks to be little better. Mainstream forecasts such as those at the Organisation for Economic Co-operation and Development envisage little pick-up until the second half, and the reality is that the recovery may have to wait almost until 1993.

The problem is one that always bedevils macro-economic policy-making: politicians and central bankers are so concerned with looking in the rear-view mirror that they fail to see the dangers ahead.

As 1992 begins, the bias of policy-makers around the world appears too concerned with containing inflation. Promoting growth is still a very secondary consideration.

A short tour around the world's major economies illustrates the point. In the US, gruesome pre-Christmas data finally turned the Fed decisive, the discount rate being cut by a full 1 per cent. But all the rest of the year had seen only a slow and cautious easing. Result: output and employment have been flat or falling, and the near future looks no better, given collapsing consumer confidence, and layoffs, plans, and weak money supply.

Plans for fiscal stimulus have become so embroiled in the battle between Administration and Congress that their only contribution has been to depress growth by making the bond market nervous. In Japan, the reduction in interest rates has been miserably reflecting the determination of the Bank of Japan's governor Mieno to avoid a return to the "bubble economy", which in 1989 saw a land price boom and the Nikkei Dow at almost twice today's level, and taxes are actually being raised to offset weak consumer confidence.

The result is that growth is likely to fall below 3 per cent in 1992, which Japan counts as a recession. One bright spot is that massive funds from the

Postal Savings Bank could be mobilised for emergency investment spending, if the recession gets out of hand.

Closer to home, the Bundesbank is imposing high interest rates on every European country. This policy is right for Germany, where it is needed to curb inflationary pressure left over from the post-unification boom. It means a continued period of stagnation in the German economy, but that is acceptable because unemployment is reasonably low.

However, harsh monetary policy is not right elsewhere in Europe, where unemployment is high and rising, and inflationary pressures are subdued. Unless there is a realignment of currencies within the ERM, lower interest rates will have to wait until German rates start to fall - in late spring or beyond. The result will be a miserable first half year in the European economies, and then not much improvement until lower rates finally have an impact well into the second half.

The impact of this international gloom on the UK is compounded by domestic factors: the weak state of the banks, with at least one clearer paying liquidating dividends; a moribund housing market which will be no more resuscitated by Norman Lamont's offer to pay stamp duty than it was by more generous deals from the housebuilders last year; and political uncertainty, which has dampened consumer confidence and increased the interest rate premium over Germany demanded by the foreign exchange market.

Dealing with this outlook requires some unusual thinking by private investors.

Policy-makers' excessive concern with reducing inflation is good news for fixed-interest investment, but bad news for equity investors. A global bond fund should form a significant part of any private investor's portfolio. If they are well-managed they should be able to



take advantage of the rise in the dollar that is likely now. German interest rates have peaked and US rates are near the trough.

In the UK, gilts have benefited from the worldwide trend to lower inflation and should do so again in 1992, because yields - still around 10 per cent - are attractive to institutional investors, many of whom expect inflation to stay close to 4 per cent. But as the election approaches, political uncertainty will at times push gilt prices down temporarily.

The equity market outlook is more equivocal. Provided that long-term interest rates really do come down further, valuations in the UK, the US, Japan and France would be slightly conservative. So if there are no unpleasant shocks, there will be significant support for prices at current levels, especially for companies with dollar earnings, once investors sense that recovery is finally coming. Be warned: it may be necessary to wait to mid-year or beyond for that to occur and the risk of unpleasant shocks is substantial.

Worldwide, the rumblings in Russia are compounded by the much closer threat of banking difficulties. In the UK, the market has the election roller-coaster to cope with. It is a situation in which the upside

potential is not large, while there is a small but clear risk of a substantial downside move. So buy one of the special funds that go up in line with any rise in the equity market, but offer your money back if the market falls. These option-based funds have very high hidden charges but right now may be worth the money.

What better way to finance them than by selling any bank shares you may still hold? You could also check the banks and building societies where you hold cash deposits. If you have more than £20,000, it could be wise to spread it round to take advantage of deposit insurance schemes.

Some canny people will have unusually large amounts of cash on deposit this year, since they will have sold their house and be living in rented accommodation. Rental yields, at least in London and parts of the south, are currently so low that you can sell (if you can find a buyer), move into better accommodation, and finance the rent out of money from those deposits, or from saved mortgage interest. When you come to buy back in a year or two, prices will not be any higher and could well be down further.

Giles Keating is chief economist for Credit Suisse First Boston.

**A** YEAR AGO recession was an Anglo-Saxon phenomenon. The North American, British and Australian economies had ground to a halt but expansion was still vigorous in Japan, in south east Asia and in much of continental Europe, especially Germany. For the first time since the 1960s, the business cycle appeared to be de-synchronised across countries - a welcome development since de-synchronisation had been a big help to world economic stability in that decade.

The deepening gloom at the onset of 1992 stems from a perception that the magic formula of the 1960s has not been re-discovered. Japan and continental Europe have slowed down, without expansion resuming in America and Britain.

The Anglo-Saxon economies remain plagued by weak external competitiveness and by the aftermath of financial mismanagement on the grand scale in the later 1980s - ill-judged deregulation, wild lending policies, absence of prudential restraints.

In the US, the Fed has responded belatedly by bringing down interest rates to a reasonably low level, and the strength of equity prices is a good omen. Japan is following suit on interest rates, but its equity market still looks fragile and remains over-dependent on foreigners for business.

Nonetheless, investors who like to swing against the tide should be taking (or have taken) profits on Wall Street, while maintaining or enlarging their stake in the Far East.

Europe is demonstrating more clearly than ever that fixed exchange parties in the ERM in the absence of a European Federal Reserve means subservience to the Bundesbank. France, Italy and the rest of the EC have to swallow additional unemployment in order that German trade unions moderate their wage claims.

Not that Germany is especially to blame. German abhorrence of even moderate inflation is hardly news and it has been clear for some time that re-unification would impose particular strains on the German economy.

A dose of unwanted deflation is the price which the French are now paying for having successfully opposed the Bundesbank's wish to up-value the D-mark within the ERM two and three years ago.

A precisely analogous mistake was committed by Britain when it joined the ERM in the autumn of 1990 at a central rate at least 10 per cent too high from the point of view of external competitiveness.

To be sure, ERM membership has helped to subvert inflationary psychology in Britain. But so it would have done if the party chosen had been 10 per cent lower - and so it will do, even if the government decides, earlier before or after the election, that a lower parity is appropriate.

Increasingly frantic Tory politicians are urging the Chancellor to follow-up on the emergency package for the housing market with income tax cuts in the Budget. Given the myopia and gullibility of the British electorate, such measures are tempting - even though a boost to domestic demand without regard to the country's external trade position would be economic folly. By contrast, devaluation would be economically respectable and probably better for the stock market.

Another area of uncertainty for international business relations is commercial policy, including the failure successfully to conclude the Uruguay Round of GATT negotiations. The problem is deciding how seriously to take this.

There have been numerous chicken wars and other trans-Atlantic trade squabbles in the past 20 years. The proliferation over time of voluntary export restraints and other protectionist devices contrary to the spirit and sometimes to the letter of GATT has not prevented world trade from continuing to expand at a healthy rate, certainly faster than world output.

And the spread of multinationals provides an on-going counterforce to industrial protectionism. Talk of "fortress Europe" inspired by the Single European Act helped to attract additional Japanese and US investment to the EC - perhaps the most conspicuous benefit of the 1992 programme.

On the other hand, US exasperation at its bilateral trade deficits with whichever Far Eastern country is currently in major surplus seems to be growing. The US deficit is quantitatively home-made, a reflection of low domestic saving and of the budget deficits established by President Reagan's tax cuts a decade ago. Yet the US Congress is once again spawning absurd legislative proposals, for example requiring the Japanese to reduce their bilateral surplus with the US by 20 per cent a year for the next five years or face a trade war.

Even more important is the question of eastern Europe and Russia. Free access to western export markets is vitally necessary if economic reforms in these countries are to have a chance of making rapid headway. Political revolution in the east should have been matched by radical commercial measures in the European Community. Instead, protectionist lobbies in Brussels and elsewhere have manoeuvred to delay and limit market access for the eastern countries through much of the 1990s.

If economic discontent aggravates political instability and encourages the emergence of new forms of authoritarianism in eastern Europe, Brussels will have its share of responsibility, and the Frankfurt Stock Exchange will not be the only loser.

Peter Oppenheimer is a Fellow of Christ Church College, Oxford.

## Now is the time to top up your TESSA

**H**APPY BIRTHDAY to TESSA. Anyone who opened a Tax Exempt Special Savings Account in January last year can this month pay in the second year's instalment, up to a maximum of £1,800.

Given the high rates on offer in 1991 - the average rate was around 12.9 per cent - TESSA holders should be able to have more than £2,000 in their accounts earning tax-free interest in 1992.

If one assumes an average interest rate of 9 per cent for the next four years, and that an investor puts in the maximum in each year (£1,800 in 1989 and 1990, and then £900 in 1991), the total value of a TESSA on maturity should be about £12,500.

Since many people have yet to open TESSAs, it is worth repeating the advantages of the account. Interest is paid tax-free, provided the capital is left in the account for five

years. An investor can withdraw net interest during that period, but not the tax-free element.

The five year time scale has probably deterred most people from opening a TESSA. But this is not a good reason for them to hold back. Most people will simply be putting money in a TESSA which previously was held in a building society account. If they withdraw their capital before the five years are up, all that happens is that they will not get the benefit of tax-free interest - in other words, they will be in the same position as if they had left the money in the normal building society account.

The only real disadvantage of TESSAs is that many institutions impose transfer penalties. But these tend to be fairly small and their effect will be outweighed by the fact that the interest rates on many TESSAs are more attractive than those offered on normal accounts.

So, if you have not opened a TESSA to date, open one now. And if you already have one, pay your second instalment.

The table (a shortened version of the one we published on December 14) shows the ten best and worst performing TESSAs of 1991. It is based on a lump sum of £3,000 invested on launch date, and assumes that rates prevailing in mid-December continue until the anniversary. Those looking for the

most attractive rates of the moment should consult the Best Rates for Your Money table on Page IV.

One building society complained that, in our December 14 table, we did not include bonuses which would be credited at the end of year five (although we did include bonuses credited at the end of year one). We did this for the simple reason that we wanted to show the actual value of a

TESSA at the end of year one - only that value will accrue compound interest.

A bonus paid at the end of year five is obviously not worth as much as a bonus paid now. A fair comparison would have involved discounting that bonus back to a present value - a calculation which would have required us to establish a subjective discount rate.

One further point. In year one of TESSAs, some institutions offered high interest rates and no bonuses, others offered high bonuses and low rates. It may be that those institutions which offer high bonuses at the end of year five will pay lower interest rates towards the end of the TESSA.

Philip Coggan

Worst TESSAs	Value (£)	Rate today (%)	Transfer penalty
Hickley & Pughley BS	3319.82	9.0	N
Caledonian Bank	3335.47	10.0	N
Gastmore Mon Men (Prime)	3341.05	9.8	N
Newbury BS	3341.42	10.1	Y
Newcastle BS	3342.58	11.4	Y
Shafordshire BS	3347.66	10.5	N
Swansea BS	3348.52	10.1	Y
Tyndall & Co	3349.78	9.9	N
Municipal Mutual	3350.30	10.5	Y
Chorley & District BS	3355.29	11.0	Y

Best TESSAs	Value (£)	Rate today (%)	Transfer penalty
North of England BS	3405.84	12.5	Y
National Counties BS	3435.48	13.1	Y
Julian Hodge Bank	3432.17	13.0	Y
Nationwide BS (Flex)	3429.25	11.5	Y
Exeter Bank	3425.52	12.0	Y
Marsden Bank	3425.48	12.0	Y
Melton Mowbray BS	3420.00	14.0	Y
Chelt & Glouce (Maxi)	3417.67	12.0	N
Coventry BS	3415.00	11.8	N
Kent Reliance BS	3414.74	12.5	Y

Accounts marked "N" have been notified as withdrawn.

## Co-op strikes gold

**C**O-OP BANK's promise of a free gold card for life, if these cards were applied for it before January 1 1992 seems to have paid off. This week the bank said that it had issued about 70,000 cards to 55,000 customers. Some applications are still in the pipeline: but the bank says it expects to have over 87,000 accounts eventually.

"We are overwhelmed by the response we have had," a Co-op bank spokesman said. The Co-op card is now one of the most popular British gold cards. American Express, the leading player in the UK gold card business, is believed in the industry to have around 140,000 gold card customers. Barclays, the second largest gold card issuer, has 134,000.

The Co-op card is aimed at the "high rollers" people who use their cards much more than the average. "We believed that if we got the high rollers in, we could make money on the card by offering it free for life when everyone else was introducing a charge," says a spokesman.

Both 1989 and 1990, and then 1991, saw a surge of publicity about the numbers of creditworthy people who were turned away, the bank says it refused far fewer people than it expected. There were 90,000 applications and it looks as if 80,000 will be successful.

Co-op was looking for gold card customers aged over 25, who owned their own homes and earned more than £25,000 a year. "We got a much higher standard of applicant than

expected," the bank says.

One reason for its popularity was good luck: the Co-op launched its card in the week after National Westminster and Royal Bank of Scotland announced annual charges on their cards.

Now that the January 1 deadline has gone, the chance of getting a free-for-life gold card from the Co-op has passed. The next best deal available is probably a free Visa card from one of the dwindling band of issuers who do not make a charge. These include TSB Bank, Giro, and National & Provincial Building Society, although these do not offer the additional benefits of a gold card.

David Barchard

## More companies to sponsor PEPs

**M**ORE COMPANIES are stepping forward to sponsor their own single company Personal Equity Plans, which became available to investors on January 1. Writes Philip Coggan, Footsie expert.

Investors can put up to £3,000 in a single company PEP in any one tax year, on top of the £5,000 they can place in a general PEP. Income and capital gains are tax-free.

As a rule, sponsored single company PEPs will offer lower charges than plans from independent managers. The *Weekend FT* contacted the stocks in the FT-SE 100 index to find out whether they were offering sponsored PEPs.

The following FT-SE 100 companies are sponsoring their own single company plans (managers in brackets): Argyll (CC&P), Bank of Scotland (itself), BAT (Bradford & Bingley BS), Blue Circle (CC&P), British Airways (BA itself), British Gas (CC&P), BP (B&B), Forte (CC&P), Glaxo (B&B), Grand Mer (B&B), Guardian Royal Exchange (CC&P), Hanson (CC&P), ICI (B&B), Land Securities (B&B), Legal & General (itself), Lloyds Bank (itself), Marks & Spencer (CC&P), National Westminster Bank (itself), NFC (itself), Pilkington (CC&P), Prudential (itself), Sainsbury (B&B), Scottish & Newcastle (Bank of Scotland), Severn Trent (B&B), WH Smith (James Finlay Assoc.), Smithline Beecham (B&B), Tate & Lyle (B&B), Thorn EMI (CC&P), TSB (CC&P), United Biscuits (B&B), Wellcome (B&B), and Whitbread (B&B).

Companies in the Footsie which say they "intend to" sponsor a PEP include: Barclays Bank (Barclays Stockbrokers), Boots (CC&P), Inchcape (B&B), Lomax (Godwins), Midland Bank, Northern Foods (B&B), Pevergen, Reed International, RTZ (B&B), Shell, Tarmac, Tomkins and Trafalgar House (Barclays Stockbrokers).

The following Footsie companies say a sponsored plan is under consideration: Abbey National, Allied Lyons, Anglian Water, Bass, BET, BOC, British Aerospace, BTR, Commercial Union, GEC, Guinness, Ladbrooke, MEPC, MB Caradon, P&O, Reuters Holdings, RMC, Royal Bank of Scotland, Royal Insurance, Sears, Vodafone and Willis Corroon.

Footsie companies with no plans to launch a PEP are: Arjo Wiggins Appleton, Associated British Foods, BAA, British Steel, BT, Cable & Wireless, Cadbury Schweppes, Courtaulds, Eurotunnel, General Accident, Great Universal Stores, Hilldowns Holdings, Kingfisher, Laporte, National Power, North West Water, Pearson, Rank Organisation, Reckitt & Colman, Redland, Rentokil, Rothmans International, Scottish Power, Sun Alliance and Thames Water.

Enterprise Oil, Fisons, Lasmo, Rolls Royce, Tesco, Unilever and Williams Holdings were unable to give us any information.

Barclays Stockbrokers  
011-221-2222, Bradford & Bingley 0274-555555, CC&P 071-357-7171, James Finlay 041-204-1321, Godwins 0252-544484.

## Rothschild life launch

**A** NEW life assurance company opened for business this week. It may be starting off in a recession but it has the benefit of a famous name - J Rothschild Assurance - and Sir Mark Weinberg, the man behind the success of Abbey Life and Hambro Life, as its chairman.

The target market for the new company - and its 180-strong salesforce - is the better-off investor.

About two-thirds of its salesmen come from Allied Dunbar and are subject to a one-year moratorium on doing business with their old clients. However, they are relying on such clients to refer friends and acquaintances to the new company for business.

JRA is offering a wide range of products, from critical illness through personal pensions and endowment policies to unit trusts. The one area which the company admits it lacks a policy at present is permanent health insurance.

Nevertheless, it is quite a broad list for a start-up company. It has been able to achieve this, partly because it has subcontracted the administration of its policies to Scottish Amicable.

Fund management is divided between three companies - J Rothschild Investment Management (whose chairman is Nils Tanbe), Scottish Amicable and JRA.

With products such as the personal retirement plan,

investors will have the choice of these three management groups, running a total of nine funds.

The unit trusts, which mainly come from the old Bishopsgate stable, include growth, international, greater European progressive, North American & international and PEP progressive; two further trusts, UK High Income and Far East, are managed by JRA.

JRA will be a niche player. It is only aiming for a market share of 0.5 per cent this year and 2 per cent in five years' time, when the company hopes to float on the London stock market.

Philip Coggan

# HILL SAMUEL

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Source: Miffland, offer to bid price basis, with net income reinvested. Past performance is not necessarily a guide to future performance. The value of investments and the income from them can go down as well as up and the investor may not get back the amount originally invested.

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## MINDING YOUR OWN BUSINESS

Nick Garnett revisits small companies he has written about over the last 12 months

## 'Hellish' year leaves many losers and a few winners

"THE PAST year has been pretty hellish," says Janine Moody. "Our turnover will be down about 40 per cent in line with the corporate hospitality market. In October and November the company's phone hardly rang."

With its six double-decker buses, support vans and large marquees catering for the Bolinger boys during the Lawson boom years, Moodies found itself in the eye of the past year's recessionary storm. But anyone seeking examples of the damage which a recession has inflicted on Britain's tiny businesses need look no further than the scores of companies featured in this column over the past 15 months or so.

Some of the weaker ones with precarious financing have thrown in the towel. Others proved remarkably resilient, pumping up turnover but watching helplessly as profit margins shredded. Those engaged in a bit of property speculation on the side were caught cold. Some infant companies saw growth forecasts turn into fiction. In only a few cases did last year prove to be fun and fruitful.

Boots Spatz and Shoes gave up the ghost. A manufacturer of all-weather footwear in Harrogate, its founder Michael Cooney had hoped to raise production from 25,000 to 40,000 pairs and break even for the first time in the company's short history. In 1990 the company had lost £58,000 but Cooney hoped to swing the company into the black by nearly doubling turnover to some £600,000.

"We just couldn't run it as a single production company," Cooney says. "It wasn't working with the way the economy has gone and Americans undercutting in Europe. We were finding it more and more difficult."

For a few tens of thousands of pounds, the company's assets and trade name were sold to an Essex clothing company which now makes the same label footwear in its own factory.

Garden Tours, specialising in horticultural holidays from £400 to £1,500, is at least in serious difficulty or worse. The company vacated its Milton Keynes premises without leaving a forwarding address.

"We would like to know where they've gone," says a manager of the business premises.



Paper profits: Pam Jose can now pay herself a wage from her recycling business

less it used. "People have been ringing in and we haven't been able to tell them anything."

The company's owner, John Wells, admitted in a radio interview a few months ago that the company was in trouble. He was using money deposited by new customers to pay off customers who had had their holidays cancelled.

A former sales manager with Ledbrooke Hotels, Wells had been confident that the type of customer Garden Tours serves possessed pockets immune to recession. It has not worked out quite as he expected. Garden Tours was set up in 1986.

In 1988 it had a claimed turnover of £300,000 and a net return of 18 per cent.

It has been a difficult time in other ways for companies in the entertainment and leisure game. Laurence and Sue Cowley successfully raised turnover at their country hotel, Glazebrook House in Devon but the property market's steep slide is putting them under strain.

They signed a contract two years ago to buy a disused abbey with planning permission for a leisure complex. That contract is costing them money but they have been

unable to sell Glazebrook, a necessary move to finance the deal.

"We haven't even had one looker since we put it up for sale a year ago," says Laurence Cowley. The 13-bedroom house in four acres is on the market at £700,000. "We are committed to buying the other property. It's a very sticky position. We are treading on ice."

In spite of a virtually complete drop-off in business entertainment, the company has picked up other trade - more social functions, seminars and conferences, increasing turnover from the previous year's £100,000. The Cowleys have also pared costs. "We have changed our wine supplier, dropped back on staff, renegotiated the laundry contract, changed the grocery wholesaler and we are using two or three butchers instead of buying from the same one."

The Alternative Shooting Company set up in August 1990 offered a different type of clay pigeon shoot. Banks of clay birds are hidden away on country estates providing a greater illusion of live bird shooting. The company turned out to be hopelessly optimistic about its first year's trading. Instead of doing 125 days shooting it did 30 and managed only a tenth of its target turnover of £500,000.

"We have been concentrat-

ing on keeping our head above water," says Wendy Plummer, the marketing and reservations manager for the company based in Burford, Oxfordshire. Corporate hospitality has again proved a disaster zone.

"The difficulty has been not only getting a company to take a day's shooting but for those companies to get people to come on them because so many are worried about their jobs and don't want to take time off work."

Open days, cheaper at £150 than the 16-gun corporate day at £190, have become much more important than Alternative Shooting expected. Plummer says, however, that the general concept has been accepted by the shoot fraternity, the company now has a substantial client data base and a target next year of 70 shooting days.

Some companies really drove up turnover last year. Watts & Wright, a hand-crafted fitted kitchen and bedroom maker in Walsall, raised sales to £250,000, double that of the previous year. Profit was also up at about £30,000. The company's two owners, Tony Watts and Adrian Wright increased staff by two to eight and have started to land larger jobs in the £20,000 range. The market for Watts & Wright's relatively high quality bespoke furniture is very tough as the rest of the kitchen and bedroom market.

"The market is very, very competitive. It's like a dog fight now," says Wright. "We are often selling domestic appliances at cost to get the job."

The company is being drawn further from its Walsall base. There is not much life in the West Midlands. "The two men have decided to keep their salaries unchanged at £18,000. Bob Dowdell, director of New Era Cosmetics, sums up the past 12 months. "We thought it was going to be tough but we didn't think it would be this tough."

The company started in March 1990. Its principle product is up-market pot pourri and it turned over £105,000 against its target of £120,000. Like so



Rage of quality: Jo and John Chapman have struggled with suppliers and customers

many production businesses, New Era is expanding sales quickly and expects to have done £200,000 for the whole of 1991. But it is the same story of shrunken margins.

"Rather naively we thought we might break even in the first year. We actually made a loss of a few thousand pounds. We will make a loss this year as well of about the same amount."

Retailers and brand name suppliers of pot pourri for whom New Era produces, demanded price drops from the West Sussex business of about 5 per cent over the year.

"People are also delaying payments. We did not envisage that it would be as much a down turn as this, but our blands are different and we have not sacrificed quality."

The company, which also makes aftershave, fragrances and eau de toilette has started exporting to Sweden, Holland, Greece and Italy. "We have been getting a name for ourselves in the market and we are also developing our liquid filling facilities," Dowdell and his partner Brian Chapman together with another shareholder raised a further £30,000 to add to the business capital. "We are not over-optimistic but I don't want to borrow heaps of money."

Pam Jose is completing her second year at North-East Recycling, a Newcastle-based company handling paper, polythene and other recyclable

waste. "It has been very tough," she says. "Paper prices have kept on spiralling downwards by about 10 per cent last year and I'm expecting another drop this year."

Nevertheless, the company's puny turnover of £20,000 in its first nine months has become £77,000 in its second full year. Instead of making a loss of £15,000 it is breaking even and Jose is taking a salary from the business, albeit just £5,000 a year.

The company improved the layout of its warehouse and baling operation, is buying a portable baling press so it can carry out compacting at the site where it collects polythene and wants to purchase a baling machine for cans. The company will drop cardboard recycling because of low prices and is increasing its interest in polythene and polythene film which form half of its business.

Among its network of suppliers and customers, North-East Recycling takes material from local shops, breweries and industrial companies and sells recycled material to polythene reproducers for bin bags and all weather sheeting, paper mainly to paper mills and cans to Alcan.

"We are creeping forward inch by inch," Jose says. J Chapman has been manufacturing sporting bags, hand and travelling bags in Carlisle, Cumbria since 1984. Two years ago it had a brilliant 13 months. It has also been busy

during 1991 selling to its main customers, stores and own brand label bag suppliers. But its owner, John Chapman and wife Jo have been made all too aware of the general recession.

"Altogether it has been more difficult than we expected," says John Chapman. "Most customers are now wanting very quick deliveries of smaller quantities and that makes it very awkward. In the past three weeks I think there has been a sudden deterioration. Some customers cannot take the goods we are making even to their own design because they have no cash. We have had three or four letters in the past few weeks from liquidators of companies we have dealt with."

The company expected to turn over more than £500,000 last year but did not achieve that. Margins are also down from 30 to about 18 per cent. Chapman is disturbed by what he perceives as a continuous slide in the quality of material he buys, including cloth, brass fittings and leather.

"The quality is deteriorating substantially. Perhaps these companies are passing material which they would have rejected before. Perhaps they are cutting down on staff and therefore quality control."

If such deterioration in quality is now becoming endemic in other industries, that is a depressing feature the recession has bequeathed Britain.

## The sweet taste of success



Festa sales: Ben Fox is racing the economic cycle

NO MATTER how bad a recession, everyone has to eat. And two little businesses serving the human palate show that you can start out on your own at any age.

Pensioners and retired school teachers, Arthur Davy and Kathleen Suchland-Smith started making chocolates for fun back in 1986 and gradually moved into commercial production. "The past year has been fantastic, so busy it's absolute chaos," says Davy.

Producing chocolates using only natural ingredients, Clarke's of Loch Ewe is now selling 50 per cent more than it was doing at the beginning of last year. In December it had orders for up to 280 boxes a week, 12 large hand-wrapped chunks of confectionery per box. The enterprise will become a limited company this month and two younger people, with capital, are coming in to help run the operation. "It's going to be a serious venture from now on," Davy says.

In the past six months, Clarke's outlets have grown to include two shops on London's Fulham Road and its mail order business has taken off. Working with just a few staff at its miniature "factory" in Coldstream on the England-Scotland border, the two founders continue to buy their dried apricots and raisins in Edinburgh and, from Glasgow, the ground almonds which they use to make their own marzipan.

Prices of raw ingredients have changed little over the past 12 months and Clarke's has held the price of its broad

range of sticky edibles. Its whisky-flavoured Glenlivet sells mail-order for £8.80.

Clarke's is no threat to Cadbury, but it is giving the two pensioners a lot of fun. "It's something to get out of bed for," Suchland-Smith says.

Festa Pasta was started in 1990 by 27-year old Ben Fox. Last year, Fox was able to add a second home delivery outlet in London's Clapham to his existing one in Fulham, after an injection of capital from two private investors. Fox has begun selling cold pasta and sauces to restaurants and pubs for reheating. With four full-time and 21 part-time staff, controlling labour costs is now one of Fox's headaches.

People still eat in the recession, but they do not always want to fork out what they once did for a lunch time snack at the office or an easy meal at home in the evening. "People are not spending quite as much now," says Fox. "They still want a nice pasta dish with a nice sauce but are not wanting to spend £4.50 on it."

As a result Fox has introduced a delivery pasta salad for £1.80 in competition with the ubiquitous sandwich.

Nick Garnett



Hand-made hits: Arthur Davy and Kathleen Suchland-Smith with their best-selling chocolates

## ANNOUNCEMENT

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## PERSPECTIVES

## A head above the parapet

Ralph Atkins on the gospel according to William McCrea

"In country, town or city, wherever man is found, folk spend their time a grumbling at everything around." from "The Grumblers" recorded by the Rev William McCrea in Nashville, Tennessee, 1986.

WHEN the Rev William McCrea, Democratic Unionist MP for mid-Ulster, started to cry during our interview, the troubles, tragedy, hopelessness, despair, call it what you will, of Northern Ireland, stood as clearly as the province's weeping mountain scenery on a winter morning.

Here was a true fanatic — the most popular gospel singer in the province, a simple-minded father of five from a tucked-away Ulster farming town, a Presbyterian fundamentalist, a deeply emotional politician — who was prepared to carry the heavy burden of a community's collective grief.

If you want to view the IRA, the locals say, speak to McCrea. He will put his head above the parapet. His small family house is surrounded by security technology. He has police protection. Three cousins have been murdered by terrorists. When we spoke he had just returned from the funeral of a policeman, murdered by the IRA, who had once been his bodyguard.

You may mock his timbre, his irritating protestations, or ridicule the lyrics on his albums — but you cannot laugh at McCrea. There are not many jokes in Northern Ireland politics.

"I'm a very resolute person," he says, restraining the tears. "I'm determined that the enemy will not deter me from doing that which is right."

I was shown around his Calvary Free Presbyterian Church, on the outskirts of Magherafelt, by the labourer working for free to help build a Sunday school extension. Clambering from the scaffolding, he brushed some of the mud from his black shoes and took me through the church's side door.

The foundation stone of the brick and pebble-dash building was laid in 1975 by the Rev Ian Paisley, the voluble, larger-than-life leader of the Free Presbyterian Church, who has dominated Northern Ireland's Unionist politics for two decades. Gaunt on its hillside perch, overlooking patchwork fields, the building is surprisingly comfortable, a welcoming church rather than of strict Presbyterian austerity.

Free Presbyterianism dates from 1851, when Northern Ireland's most conservative evangelists concluded that the Rome-ward drift and apostasy of Irish Presbyterianism was beyond redemption. From its earliest years, the church has been almost a museum example of traditionalist religious fervour in an increasingly secular Europe.

In grey bricks above the altar, were set the words: "We are unto me if I preach not the gospel." The labourer, a devotee of McCrea, caught the line of my sight. He was a thick-necked man wearing a ripped vest and trousers that struggled to cling to his belly. "That is the God's wrath, up there," he warns.

McCrea, now 43, came here first in 1968, running a three-week gospel campaign. He was a young man, fresh from the college Paisley had set up in Belfast to train ministers for his growing church. A year later he returned, preaching in a windowless wooden building that quickly became too small. The Calvary church, advertising McCrea's "Old Tyme Gospel Evening Services" has been built for expansion.

McCrea was born into a strict Irish Presbyterian family, not far from Magherafelt, and dutifully attended church each Sunday. "You went and you knew nothing else," he says. But on June 4 1957 (he has no difficulty recalling the date), the nine-year-old William McCrea was "saved" — the experience of conversion that characterises full members of the Free Presbyterian church.

"I realised that before God that I was a sinner," he says. Reconciliation could only come through Jesus Christ upon the Cross. "That night I simply asked the Lord Jesus to come into my heart. I asked the Lord Jesus to cleanse me from my sin."

He entered the ministry of the Free Presbyterian Church, inspired by Paisley's imprisonment in 1966 following disturbances at an anti-ecumenical march against the Irish Presbyterian leadership. "I realised that here was someone who was suffering because he believed the Bible, because he preached the gospel," says McCrea.

Life for him, in many ways, is as simple as that: defending the beliefs that he is, literally, prepared to risk his life to maintain. The Bible is the divinely inspired word of God; Jesus Christ died to atone our sins. He adheres to the seventeenth-century Westminster Confession of Faith in which the Catholic Pope is the Antichrist. He believes in sex only

in marriage and respect for the Sabbath. "It's a prickly defensiveness. He is an ecumenicalist. McCrea is the antithesis of a consensus politician. He can see no other way. Little wonder Peter Brooke, Northern Ireland secretary, made it so difficult to find a political accommodation in the province."

I asked if he saw himself as an emotional person? "Yes, I do," he says quietly. "What would you have been like, if you hadn't been saved?" "I don't know. I couldn't answer that question. I'd just say, 'Thank God the Lord did take control of my life.'"

Religion brings him an inner peace and joy, he argues, that give him the strength to withstand the threats and intimidation; to stand up to terrorism where others might crouch.

"I have been the target of attacks I opened my front door one night and a man was standing there with a revolver pointed straight at my brow. I have been left to tell the story but you are always conscious that death is never far away. I suppose nothing I ever do now will spare me as far as the terrorists are concerned."

McCrea, the politician, is as fierce in his defence of the Union with the UK mainland as he is of the gospel. Free Presbyterianism and the Democratic Unionist Party, established by Paisley in 1971, do

not have to overlap but frequently do. They are equally convinced that their's is the true way.

The DUP is the brasher, less stiff-collared cousin of the larger Ulster Unionist Party, drawing its support largely from working class, urban and rural voters.

McCrea's style is shrill; his soft singer's voice does not stretch easily when trying to cover the House of Commons or journalists with words of fire-and-brimstone. "The honourable gentleman is working himself up," Margaret Thatcher retorted in her best school ma'am manner after a particularly hysterical intervention.

He has been an MP since 1983 — from when, he says, unionists have been systematically betrayed by the government. Once he sent Thatcher his album, "How Great Thou Art", only to find that the 1985 Anglo-Irish Agreement, signed by the former prime minister, was to give the Irish government a say in the affairs of the province. He, like all his unionist colleagues, was horrified at the prospect of foreign intervention in a part of the UK.

He is not a good European but turns to Biblical prophecy for comfort. "The fall of the system, yes, the European Community and the fall of Romanism. Read the 17th chapter of the Book of Revelations. You get a wonderful view of the fall of Babylon."

Within the DUP he is taken most seriously. During the summer "round-table" talks engineered by Brooke he is widely regarded as having urged Paisley to stand resolute behind the DUP's demands — to the despair of more moderate colleagues. Some believe he might eventually succeed Paisley, now a close friend.

Compared with his politics, the best-selling, "singing Billy" is a far softer character. Positively soapy, in fact. But he taps a rich vein of faith, stronger still than his popularity as a politician. In spite of having no formal training, there are silver, gold and platinum discs framed on his sitting room wall.

"The best key to be in is B natural," he says. The style is "country 'n' gospel" which means hymn tunes on Biblical themes set to a twangy country 'n' western backing. "In the way that I feel the Lord wants me to present it". He has recorded more-or-less an album a year for two decades, usually in Nashville, Tennessee.

He has no reservation in expressing his love for Jesus Christ. It is pure, unadulterated and unsophisticated. His first producer tried to mould him. "They were trying to change my ministry and put in it something which wasn't me and I said, 'Lord, give me the grace to stand up against this, give me the strength to say no.' And I did. That was the best decision I made in all of my singing."

What you get is almost the pure, heart-opening McCrea: "Majesty, worship his Majesty. Unto Jesus be glory, honour and praise," run the lyrics of one.

It is almost, but not quite, McCrea. As we neared the end of our conversation, I asked if he were not, in fact, a grumbler at heart? Whenever he speaks — in Parliament, on television, even here in the comfort of his sitting room, he is in the defensive, full of himself.

He looked shocked at first but, to my surprise, did not deny the charge. He believed in self-improvement: "Maybe someday I'll be able to come on and tell you all the good things that are happening."

One day, perhaps.

mained counter-offensive from the British security forces, unlettered by politicians.

"It is so easy for other members of parliament to carry on with the little niceties of parliamentary privilege and parliamentary duties. They haven't a case what it is to spend the last eight years as an MP, going from home to home, family to family, seeking to give them succour, help, comfort."

That leaves little scope for embracing the agenda of nationalist politicians or the Catholic church, although he says he has nothing against individuals or their right to a particular viewpoint. "It seems to be all right for a Roman Catholic to aspire to be part of an all-Ireland but it seems to be a sin for us to aspire not to be. I can't have a dual passport."

Does he shed a tear when he hears of an IRA terrorist who has been killed by the security forces? "I grieve genuinely that a person has been cut off and taken out into eternity but I realise that a person who espouses violence and murder as a means of achieving a political end can expect to die by the sword."

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The aftermath of the war in Kuwait is still keenly felt by some Britons

## The hostage saga that still goes on

Jadranka Porter on the Britons who remain trapped in Kuwait

WITH THE return of Terry Waite the British hostage saga was thought to be over, but the last of British hostages in the Middle East have yet to be released.

A number of Britons who were last year held hostage by the Iraqis were trapped again when they resumed work in Kuwait earlier this year. The irony of it is that their captors are Kuwaitis, for whose freedom British soldiers died.

Driven by what is perceived as greed, insecurity and congenial suspicion of the Kuwaitis, who last year saw their power and some wealth vanish overnight, are trying to claw back what they think they are owed. As if the persecution of Palestinians and the stalemate Arabs for alleged collaboration was not enough, they are now meeting out some rough justice to the allies as well.

In a form of bonded labour several Britons have been forced to work out their "debt" before they are set free. Their punishing experience, first at the hands of the Iraqis and now the Kuwaitis, has finally moved the Foreign Office to intervene on their behalf.

At the centre of this saga is the state-owned Kuwait Oil Company, before the invasion one of the best employers in the country, whose staff enjoyed rare privileges.

KOC, the production arm of Kuwait Petroleum Corporation, formed the backbone of its oil industry and with its control of the wells became the main target of Saddam Hussein's plan to destroy Kuwait. During the Iraqi occupation the KOC lived up to its pre-invasion image. It said it had a moral obligation to help the families of its men held in Iraq as human shields or hiding in Kuwait.

"We were the only Kuwaiti company looking after the families during the crisis," says the manager of the KOC's London office Abdulla Al Abdurrazzak.

The company offered a living allowance to hostages' families and paid mortgages and rents as well as school fees. Since then Finance Minister, Sheikh Ali Al Khalifa Al

Sabah, gave assurances that Kuwait would honour its contracts. This was understood to be a payment in lieu of salaries. The families were heartened when KOC offered flowers and reassurance in their moments of hopelessness.

The change came with the liberation. The payments stopped in April but the Britons were told to be ready to report to work. Those who were recalled were in for a shock when in a sudden change of rules they found that their contracts were no longer valid. Large deductions from their salaries were made, and explained as repayment of the cost of supporting the families during the crisis. The company claims that the payments were advanced against benefits settlement.

Disgusted and angry, several decided to leave Kuwait only to discover that they could not get release letters or exit visas.

It took David Hudson, KOC's superintendent of maintenance planning, five months to get his. Hudson, who has landed another job overseas, left behind at least three colleagues who have been prevented from leaving.

Other Britons who have not settled their pre-liberation bills and loans face captivity for the second time in less than two years. All the debts have been punched into the airport computer to make sure nobody escapes the law.

In the months after the liberation the British government seemed impervious to the hostages' pleas for help. Jimmy Smith, who refused to risk a return to his work at KOC's Ahmadi hospital, was told by the Foreign Office: "We don't deal with individual cases. If you don't feel well go to your GP and if you have no job ask for unemployment benefits."

The British government dismissed the hostages as simply unemployed and, according to support groups, wanted to sweep the issue under the carpet. Not until October, 10 months after their release, and only after a special study showing that one in four hostages still suffer psychological problems and need profes-

sional help did the government take their plight seriously. It allocated funds for special trauma units, agreed to meet hostages for consultations and to deal decisively with the Kuwaiti employers.

The Foreign Office summoned the Kuwaiti ambassador and according to a source close to the FO "gave him a dressing down" about the KOC's treatment of Britons. The Foreign Office also went directly to the company according to Abdurrazzak.

Since then the KOC has decided to suspend the deductions from the salaries of Britons "with a view to writing them off." But Abdurrazzak denies that any Britons are held in Kuwait against their will.

"We are not a terrorist organisation, we are not holding anyone against their will," he says. He admits though that after the liberation the company was slow to respond to people's complaints and operated in an "organised chaos".

"We are solving the problems as we go along," he says. But there is still confusion about new contracts and redundancies. Abdurrazzak says the new contracts are for one year only and offer better pay instead of married status and frequent holidays.

He announced there would be redundancies among about 50 Britons who are still waiting to be re-employed. This is part of an overall plan to cut staff by two thirds because the company's production facilities including its 700 oil wells, were destroyed in the Gulf war. Three thousand workers have already been laid off or left of their own free will. A group of 15 Britons has engaged a solicitor to sue the company for breach of contract. The solicitor, Paul Bacon, from Nottingham, says he will try to settle out of court. Failing that he could resort to litigation in British courts.

Jadranka Porter was a journalist in Kuwait who stayed throughout the Gulf War. She is the author of a book *Under Siege in Kuwait* — a *Survivor's Story*, published by Victor Gollancz, in June last year.



McCrea: a Presbyterian fundamentalist whom you cannot laugh at

## Up for sale

Continued from Page 1

into a lusty, uninhibited drinking binge. We toasted the past, the present, the future. We toasted our parents, our children, our friends, each other. We toasted Great Britain, we toasted Russia, we toasted any country we could think of. And with each toast we tossed down small tumblers of ice-cold vodka.

Through the afternoon, in ragged succession, the men in baggy suits disappeared upstairs, girls in their arms and room keys in their hands. But finally, another kind of sensuality, some sort of deeper racial communication, surfaced through the laughter and alcoholic fog. By the time the soft light of evening crept over Lake Sevan, we were deep in remembrance of the fate of Armenia.

We drank in memory of countless invasions of Armenia, of Turkish bunbury, of Soviet oppression, of diaspora, droughts, earthquakes, and endless suffering. We were drinking for the relief of Armenia's pain. We danced, hands outspread above our heads. We sang, tears rolling down our faces. The twinkling end of the evening was not fit-

illation, but commiseration.

□□□ The next day, we are all dreadfully hung-over and Rosa's kitchen, not so mysteriously, is full of good things to eat. Once again Rosa is smoking at the table, Natasha is knitting and sweating, and Anna is putting on make-up. I sit there watching and thinking sadly of Anna's question to me.

The truth is that, despite the make-up, the wild evenings, the drink and the men, life for these women is dull and dowdy. It is as cramped, cold, and unlovely as the flat that we are sitting in or the city that surrounds us.

From an armchair in a more comfortable flat, in a more prosperous city somewhere in the West, the collapse of the communist system may appear highly desirable. It may even look glamorous. But closer up, there is no glamour, there is only pathos. For with it has come a collapse of moral authority, social concern and, ultimately, human values. Rosa, Natasha and Anna did not deserve communism. But neither do they deserve the new order which, for a long time to come, may prove to be no order at all.

## As They Say in Europe/James Morgan

AFTER Christmas there were suddenly these bunches of letters. CEI, CSI, GUS — they all meant CIS or Commonwealth of Independent States. On the continent the acronyms were accepted at once — perhaps because the word "commonwealth" exists only in English and Russian and must be rendered as "community" in other languages.

In Russia it is clear that the new organisation is not seen as one that matters. In Moscow, *Kuranty*, the liberal daily, summed up the changes: "The world saw Gorbachev off in a respectfully reserved manner but without sentimentality, not only because everyone was reconciled to the change of scene in the Kremlin, but also because our foreign partners will not have permanent allies but rather permanent interests in Russia. Their interests coincide with our state interests in many aspects. Russia alone can exercise to the full the role of a Eurasian bridge as an alternative, rather than an antagonistic, centre of world influence."

*Kuranty* concluded that the West would do all it could to shore up Russia's great power status. "It appears ready to cover our backsides here too.

From a high moral viewpoint it is inadmissible that Russia should be admitted anew to the United Nations, kept in the Security Council, or invited to join in talks that have been underway for some time. The West is awaiting Russia's assurances about paying off debts since the bankruptcy of a great power can bring about considerable changes on the international scene."

This mixture of studied incoherence, demotic vulgarisms and a Chekhovian insouciance in the face of disaster is a feature of the Russian press today. It is not enough to sustain all those experts who used to make a living tawling the barren oceans of *Pravda* and *Izvestia* editorials but it is a sight more interesting.

If the Russian press is refreshingly new, the German has gone back to another era. There is nothing like the advent of a new year to depress the Germans. The turn of this year is associated with the legislation allowing people to look up their old Nazi files. That is really going to set the cat among the pigeons. The East German secret police kept many miles of documents on 4m of its own citizens and 2m westerners. People can now look up their own files on

demand. There has already been a notable case of an outspoken woman who found the *Szeit* was kept informed on her activities by her husband.

So we have seen the re-emergence of that archetypal German word — *Vergegenwärtigung* — it means overcoming the past and was used formerly to describe the responsibility of the first post-war generation of non-Nazis.

In Der Spiegel, historian Eberhard Jäckel wrote a piece entitled "The double past" about the relationship of the Germans with their history. He feared that the revelations of the horrors of the GDR could vitiate the memory of the horrors of the Nazis. He concluded, "We can only become one people when we come clean about our double past, and that can be done decently only when we differentiate our history in sober comparison. In this context unification has thrown us back into the 1930s. There is yet again much to do."

British businessman and private detective were found in Geneva to be investigating illegal sales of arms to Iraq. Both have been arrested. (*Neue Zürcher Zeitung*).

James Morgan is economics correspondent of the BBC World Service.

## HOW TO SPEND IT

## A new look for the piste de resistance

Snow is falling, the skiing season is upon us. Lucia van der Post picks the best gear for the slopes

FOR THE dedicated skier this winter has brought the best news for years. In New Zealand they have just had more snow. Many skiers ever remember, while from Aspen to Alpbach and Avoriaz the snow is falling, falling, falling. By now you are unlikely to need any prompting - you are probably one of the thousands who have rushed to give the skiwear companies THEIR best reason for years.

You may, however, be a little concerned about what you should wear. Has a new fad or fashion sprung up that you have yet to discover? Never fear. Fads and fashions come and go and most of us can take them or leave them without any disastrous consequences. What really makes the difference, particularly when it comes to skiwear, is technology - it has this habit of marching on and leaving some of us marooned in what was once the *demier cri* and now turns out to be very *demier* cheap.

The real problem with skiwear is that it has to cope with a vast range of weather conditions. Nevea, a highly-regarded skiwear manufacturer, sums it up perfectly in its latest brochure: "It could be dry, a whitout and snowing hard. It could be still as night and shrouded in mist. It could be baking hot and thawing all around. Or it could just be that



When it comes to that essential accessory - sunglasses - the wrap is the shape to go for: apart from being this year's fad they give much better protection from dangerous rays than ordinary sunglasses. This pair by Block sports Gamma reflective lenses which may look a bit sinister but give good visibility and high protection. £27.95, from good ski shops including Snow + Rock.

perfect day with untracked, fresh powder and glorious sunshine. It could... it could. It could also be all four in the course of 24 hours.

So what do you wear? The real answer is the best that you can afford.

The experts seem to agree that there is nothing to beat Gore-Tex for keeping the wet out and the warmth in. The

problem is that it is expensive, so several companies have produced less expensive fabrics which have some of the same qualities - Tenson, for example, uses a textile called Air-push which has microscopic hairs on the surface of the fabric to trap air and keep water droplets out. The Japanese company Descente uses Entrant, and so on.

For wearing under shell suits or waterproofs Fleece has to be the textile of the cold climate set - made from 100 per cent polyester, it is used by many manufacturers, including the ultra eco-chic Patagonia, and combines great lightness with softness and warmth. If you do not need a whole garment try a fleecy neckwarmer for £10.99 - it keeps the draughts out, adds warmth and on cold lifts you pull it up around your ears.

You may or may not be relieved to know that the fashionable fluorescent look of a couple of years back has died a terrible death. Colours are more muted, much more chic.

In Euro ski circles skiwear has come full-circle - the sleek ski-pants or leggings topped by an anorak or parka which have been seen on the smartest urban streets are now to be seen again on skiers' backs, where they came from in the first place. In the US the skisuit still reigns supreme.

If, back home, you wear Doctor Martens, black Levis and leather jackets then the right-on piste-cred name to look out for is Mambo - needless to say it is heavily into black. Bad Boys and Oxbow are two other names to look out for - both go in for clothes that could transfer happily from piste to street.

There are some fun new gadgets to look out for, all stocked by Snow + Rock and other good ski shops. If you have always wondered if you were going as fast as you thought you were the ski-pole watch (£9.95) will tell you.

Cat tracks prevent you slipping on ice - you put them on over the sole of your ski-boots. £10.95.

For the cold-feet sufferer there is the Motronic (£73.95) boot-heater. Insole is slipped into the boot and is connected to a battery-pack clipped on to

One of this year's major skiwear themes from Chervo - a blouse jacket with a white body and 'silly' leathers. It has lots of pockets and a detachable imitation fur hood. In 54 per cent polyamide and 46 per cent polyester, £275 from Snow + Rock branches.



the back of the boot. It can be taken in and out easily and put into, say, climbing or walking boots. Salomon has ski boots with a polar fleece lining - Force 7 costs £199.50 and Force 9, £234.50.

Finally, in skiing circles it is never long before talk comes round to knees and their problems. Help is at hand. Snow + Rock has joined forces with a team of sports physiotherapists who will fit customers with a rigid frame brace called an MVP.

Dion Taylor, a ski buff who works with Snow + Rock, has a torn cruciate ligament, one of the most common skiing injuries, and he tells me that ever since he took to wearing an MVP brace he skis with

scarcely any problems at all. The £299 fee includes the consultation and the brace. For £520 there is what could be called a Rolls-Royce service which offers a similar but slimmer and stronger brace.

Those who keep office hours might appreciate that Snow + Rock at 188 Kensington High Street, London W8, is open on Sundays (until Easter) from 11 am to 5 pm. The branch at 150 Holborn, London EC1 is open until 6 pm six days a week and the Birmingham branch (14 Priory Queensway) opens until 8.30 five days a week, except Thursdays, when closes at 6.30 pm. It also has an excellent mail order service - ring 0753-830868 for a free full-colour catalogue.

From Luhta, a Finnish company which specialises in fashionable, extremely reasonably priced skiwear made from a combination of cotton and polyamide (you should take great care over how you clean it - ideally wash it by hand), come the two current looks - the tapered ski pants (£21.50) and large jacket (£173.95) and the one-piece suit (£246.95).

There are lots of colours - black, red, pink, turquoise and lilac.

Available from all branches of Olympus Sports, Blacks, Ellis Brigham, Snow + Rock and Harrode's skiwear department.



## Backhanded compliments

SOME there may be whose New Year resolutions revolve round weighty matters - mastering the finer points of the Maastricht summit, resolving the paradox of Schrödinger's cat or climbing Mount Kilimanjaro. Then there are those who plan to lose a stone or two, give up smoking, be a nicer person - you know the kind of thing.

Me, I have just one simple resolution: I would like once, just once, to beat my husband at tennis. It is not that I do not get near to it. I do, very near. There I am almost home and dry, leading five games to one, with my serve to come, when from the other side of the net I am aware of something stirring.

The unconsidered forehands, the casual cricket drives from inside the back line, the double-faults, the inadequately lifted lob dry up - in their place comes a maddening array of what I call dirty tricks but could perhaps more sportingly be described as clever shots.

There are balls hit deep to the backhand corner where they wrinkle out the inconsistencies in my new double-handed backhand, wicked little cuts to the front of the court that spin off side-ways and, most maddening of all, balls that stop dead in their tracks, in no time at all it is seven games to five - to HIM. Again. With the second set he takes no chances and closes it out 6-1 or 6-2.

As you can see, I need help. Two summers ago, HTSI, readers may remember, I took myself off to the Pierre Barthes tennis school at Cap d'Agde where nice Alain took my game apart, pieced it together again and sent me back home. It was worth it - He with the beasty repertoire gets the odd fright or two and has to bestir himself to beat me, whereas it used to be a piece of cake.

Who better to take my problem to than Roger Taylor, once the golden hope of British tennis, now sage and guru to tennis hopefuls of all levels?

Chevron Glen, on the fringes of the New Forest in southern England, is the plushest of plush country house hotels. Having installed two splendid indoor courts to supplement its outdoor one it has started a programme of occasional tennis week-ends where Roger Taylor himself runs the clinics. You arrive as early as you can manage on a Friday

afternoon but whatever you do try not to miss (as I did) the Friday practice session, which runs from 4 pm to 6 pm. I arrived just in time for a tip-top dinner and found some fellow pupils already discussing the finer points of each other's shots.

On Saturday morning the real business begins. Four to a court, two courts in all, with Roger and Matthew Salisbury (the hotel's resident tennis supremo) in charge, the programme begins. In two groups of eight, we play for two hours in the morning, two in the afternoon. Forehand, backhand, cross-court, down-the-line, forehand, backhand, cross-court, down-the-line. Little games are played. Some points won, some lost.

No white hopes of British tennis here but nor is anybody a real duffer. We all seem much of a muchness, tolerable club players all, and though I am not the best my mortal fear of being the one nobody wants to play with is not realised. Everybody is very, very keen. Nobody is there to fool about.

Roger Taylor manages to seem interested in each and every one of us. Our little triumphs are greeted with delight, our difficulties taken seriously.

As the weekend progresses every aspect of the game is tackled - from the proper grip for the serve (hold the racket as if you were going to chop wood), how to add a bit of kick, where to stand in doubles. In between we head for the swimming-pool, dining-room, jacuzzi, gym, or we lie in the treatment rooms having our stiffnesses soothed away.

The course is not cheap but then you are getting the expertise of a great player as well as the real luxury of Chevron Glen. There are, I suppose, cheaper ways of trying to improve your tennis but I cannot think of any that are more fun. And no, I haven't beaten him yet but I will, I will.

The next two tennis week-ends at Chevron Glen with Roger Taylor will take place on February 14 and 15 and March 13 and 14. Write to Chevron Glen, New Milton, Hampshire, England BH 45 9QS. (Tel: 0452-275341). Prices are £140 (exclusive of VAT) per person per day which includes rooms, breakfast, lunch, dinner and tuition.

L v d P



## Wine

## A world of bargains for every palate

NATURE seems to be helping Brussels break down Europe's trade barriers. Last year's frost-stricken harvest in western France, especially of white wines, has had all sorts of interesting side-effects on a hard-pressed industry. Smallholders in the Loire who depend on the disposal of their white grapes or wine for their annual income are probably suffering most. Some of France's larger co-operatives and commercial merchants have been looking, with varying degrees of enthusiasm, over the Pyrenees for white wine to flush through their idle bottling lines.

This has led to a change of emphasis for the Midi's militant vine-growing tendency - from anti-British to anti-Spanish - and the odd spot of bother in Carcassonne for northbound wine tankers. Safeway has been saving money by using bottling facilities of the Placenet co-op in Gascony on its own-label white Spanish. Pilsades (£2.69). Some of the larger Loire companies are offering white La Mancha - through gritted teeth - on the principle that at least there is no shortage of this dry Spanish white, unlike the local Vouvray or Muscadet.

## CHEAPER WHITES

Most of the dry Spanish white available in the UK, especially that labelled La Mancha, is very good value, the produce of the handful of large companies which have invested sufficiently in modern winemaking technology. There may be little real character in the wine but for £2.49 from Sainsbury's, for example, it delivers an extraordinary degree of vibrant freshness - just the thing for those who used to buy Vin de Pays des Côtes de Gascogne which is in short supply.

A little further up the price scale, forget the elastic-edged

Muscadet region but seek out finds from the highways and byways of what is loosely termed "regional France".

Just as we had all finally been convinced that white Bordeaux was a jolly good thing - sulphur, under-ripe Sauvignon and dry wood all things of the past - the frosts decimated the 1991 crop. If you are a fan, it is worth snapping up

**Jancis Robinson suggests a wine buying strategy for 1992**

the best 1990s that remain and the fine 1990s. Oddbins and Threshers/Wine Rack have a better selection than most.

## EVERYDAY RED

The shortfall (and less-than-thrilling quality) of 1991 red Bordeaux matters less at the bottom end of the market which is still awash with jolly good wine made in 1990 and 1989. Even at the lowly level of AC Bordeaux, on sale here for around £3 a bottle, there is much pleasure to be had - indeed there is a great deal of sense in buying these generic commune wines and petit châteaux clarets from the super-ripe 1989 and 1990 vintages to drink now, although traditional merchants would rather sell their stocks of tough 1988s first. The high street chains and supermarkets offer best range and value at this modest level.

Also good value, at under £4 a bottle, are many of the southern Vins de Pays from unfamiliar and parochial Pays. Quality of these was excellent in 1989, 1990 and even 1991. For full-bodied reds under £5 look to the Côtes-du-Rhône 1989 and 1990. Oddbins has a clutch

## NEW WORLD

Those looking for a wine to mark 1991 will either have to wait until the port vintages are declared (as it undoubtedly will be) in 1993 or look to California where the signs are that quality was exceptional for reds - at least as good as 1987 and possibly as good as 1974. The California wine industry is shaky and competition from Chile has pushed down the price of Cabernet grapes, so in the medium-term California wine should seem less outrageously priced - surely?

Australia continues to offer keen prices and is tackling the need to offer an array of styles. Some of my favourites which meet Old World classics head on but at about half the price, such as Bannockburn (Oddbins), Dromana Estate and Mountadam (Houghton Fine Wines of Nantwich), Leeuwin Estate (Domaine Direct, London WC1) and Seville Estate (Raeburn of Edinburgh).

## GRAND WINE

Last year's vintage yielded precious little to offer futures in this spring. Will the wine trade survive a year without an *en primeur* campaign to keep the cash flowing? Expect to see extensive discounting of fine wine (Laytons of London NW1 cut its prices on selected 1989 red and white Bordeaux as long ago as November) and sales of larger-than-usual bin ends. This is a good time to stock up on the exceptional claret decade just past: 1987, 1985 and 1983 for current drinking; 1989, 1988, 1986 and 1982 for future pleasure.

It will probably be many years before we see another run of great sweet wine vintages half as good as 1986, 1989 and 1990. Buy Sauternes and mid-Loire wines for the long term; Alsace, Jurançon and Monbazillac for the medium



Low prices mean wine sellers' cellars stay full

term and fine German wines at all ripeness levels for current and future thrills.

Rhône 1989s and 1990s from the best estates are far more likely to disappear from the market than to disappoint, and Châteaufort-du-Pape has to be the world's most user-friendly full red. Prices of most burgundies still look like obscene relics of the inflated 1980s but serious collectors will want to buy 1990 reds and 1989 whites from the top domaines. The Beaune merchants' cellars are reputedly piled high with unsold stock; can no one negotiate a deal? For now, Mercury, Givry and Rully offer best value by far.

## AUCTIONS

Falling prices in the saleroom are all very well, except that they keep potential stock out of it. There are bargains to be had at Christie's and Sotheby's in 1985 and 1986 clarets, vintage port and such fine German wine as come under the hammer - at prices that we will never see again - but be wary of bottles which have crossed the Atlantic twice.

## Cookery

## Carrots to cleanse one's conscience

THE DAY of reckoning is nigh, I mean the 12th day of Christmas when most of us feel a little fat and queasy. This is the season when health farms and spas rake in the bookings. Half the population of France will be murmuring "mon pauvre petit foie" while on the British side of the channel the sales of Alka Seltzer and Rennies must reach a peak.

I love the architecture of Bath, I enjoyed L'Année Dernière a Marienbad, and I once had a strange encounter with a *Neus of the World* type of vicar in a little known Scottish spa, but the idea of actually taking the waters, like visiting a health farm, jogging and pumping iron, is alien to me. I prefer the notion of a brief cleansing spell of meals majoring on carrots, lettuce and spring water taken in the privacy of my own home.

Carrots and spring water sound horribly abstemious, and I am sure they could prove a penance, but there is no reason why their consumption should not be pleasurable. Health considerations and pretty designer labels apart, bottled water usually tastes better than tap, which, in my area, seem to be dosed with Olympic swimming pool-quantities of chlorine.

As for the carrot, it may be one of our commonest and cheapest vegetables but it is also one of the best gastronomically at this time of year - colourful, richly flavoured and sweet - and of course full of healthy virtues (bursting with fibre and vitamins A C and E).

The carrot dish that sounds ideally suited for serving now in this low-key New Year resolutions week is *Carottes à la Vicky*. The spa kitchen title suggests an austere little recipe designed to cleanse, purify and tone the body, mind and spirit, and the method does indeed call for cooking the carrots in spring water. But there

is more to it than that. A king size nugget of butter and a spoonful of sugar also go into the pot, and it is their presence, reduced to a syrupy glaze at the end, that give the dish its delectable character.

If you are serious about making up a little for extravagant eating over Christmas you would do better to tuck into the no-fat crunch of a grated carrot salad simply dressed with the juice of an orange and a pinch of zest. As it happens I relish a plain salad like this but if it strikes you as too rabbit food for words, try adding a grating of ginger and a scattering of seedless white grapes, or a bulb of Florentine fennel cut into slivers, or a handful of fresh chopped herbs.

A mixture of mint, lemon thyme and parsley is good. Add wild rice, bulgur or couscous for a more substantial bite, or minutes to warm the carrots and anoint them with fat.

Add the honey, hot stock and a good pinch of salt. Stir to mix and bring quickly to the boil. Cover tightly and simmer over the lowest possible flame for 15 minutes or until the rice is cooked to your liking.

Drive off surplus liquid at the end and if the pilaw is sloppy, or moisten with a splash of hot stock enriched with an extra spoonful of oil if the mixture is too dry.

Check seasoning, stir in the well-toasted nuts and serve with a salad on the side. Chicory and orange go particularly well - and tidily use up the flesh of the fruit whose zest has gone into the pilaw.

given here will serve many more people, of course.

1 lb carrots, scraped and coarsely grated; ¼ lb rice, thoroughly rinsed under a cold running tap to wash away some of the starch; the seeds from 15 cardamom pods, crushed with pestle and mortar; 3 tablespoons extra virgin olive oil; 4 shallots, chopped; the finely grated zest of 2 oranges; 3 rounded teaspoons honey; 1½ pt good stock; 3-4 oz split and well toasted almonds.

Warm the oil in a large flameproof casserole and soften the shallots for 2-3 minutes. Stir in the crushed cardamom and the well drained rice and cook gently for 3-4 minutes, stirring occasionally.

Add the carrots, orange zest and a good grinding of black pepper and stir continuously over medium-low heat for two minutes to warm the carrots and anoint them with fat.

Add the honey, hot stock and a good pinch of salt. Stir to mix and bring quickly to the boil. Cover tightly and simmer over the lowest possible flame for 15 minutes or until the rice is cooked to your liking.

Drive off surplus liquid at the end and if the pilaw is sloppy, or moisten with a splash of hot stock enriched with an extra spoonful of oil if the mixture is too dry.

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## TRAVEL

# Heavenly skiing in the very jaws of Hell

Arnold Wilson skis in the shadow of the Eiger — one of Europe's most lethal mountains

THERE IS a magnificent off-piste run, the White Hare, which starts at the very base of one of the most terrible mountain faces in Europe — the fearsome North face of the Eiger. When I first skied it, I discovered to my horror that while I was cowering in the powder, two Korean climbers were freezing to death somewhere on that awful slab of granite. They were the latest of many to perish on this monstrous wall.

The Eiger and the quintessential Swiss alpine village of Grindelwald have always seemed bizarre neighbours. Separated only by the kind of meadows through which Shurley Temple once galloped, the mountain has always represented terror while the village oozed cuckoo-clock contentment.

In a sense, to gaze at the Eiger from Grindelwald is to look at Hell from the portals of Heaven. In 1935 two German climbers, Max Sedlmayr and Karl Mehringer, studied the mountain with a mixture of fear and elation. They were the first men to try to scale its dreaded North face. On a quiet Sunday morning in August they froze to death on the upper rim of the third ice-field at 10,800 ft, a spot which came to be known as Death Bivouac. Less than a year later, Edi Rainer, Willy Angerer, Andreas Hinterstoisser and Toni Kurz were all killed retreating down the face.

Kurz's death was particularly distressing. His would-be rescuers, arriving too late in the day on the ice-glazed face, had to leave him, with one arm already rigid with frostbite, another hanging from a rope after getting near enough to hear him shout: "I'm the only one alive. Hinterstoisser came off and fell the whole way down. The rope pulled Rainer up against a snap-link. He froze to death there. And Angerer's dead too, hanging below me, strangled by the rope when he fell."

The following day, a Hercules attempt by Kurz to climb down to Angerer's corpse and cut him free failed tragically at the last moment when he couldn't squeeze a knot through a snap-link. Kurz, all his energy drained, died there

and then. Since the first successful conquest of the Eiger's ruthless North face in July 1938, dozens more climbers have died there.

The Eiger has no mercy. If you make a mistake on this sheer and gigantic slab of rock that rises to 13,041 ft and dominates the Grindelwald skyline, you will be lucky to escape with your life. Whether you die or survive could depend on people like Ueli Frei, a 45-year-old mountain guide.

Like so many real-life heroes, Ueli Frei comes across like an avuncular, unassuming sort of fellow. In the book *The White Spider*, which chronicles both the terrible and the triumphant attempts on the North face, Heinrich Harrer, an Austrian climber who was a member of the first successful assault on the North face, describes this rare breed thus: "They were wiry, well-trained types, men with frank, wholesome faces. Not their steely iron-hard features of legendary heroes, or of film stars of a certain stamp. One would hardly have noticed them in the ordinary way."

Although Harrer was describing Sedlmayr and Mehringer, the first climbers to perish on the fearsome wall, his description fits many of these quiet mountain men, including Ueli Frei. Since joining the Swiss mountain rescue team in 1974, Frei has achieved several climbing firsts in the Jungfrau region — including the North face of the Gutzwiller, which is even steeper than the Eiger's North face — and played a key role in dozens of rescues, including no fewer than 13 on the Eiger wall. In many of them he has had to be winched on to the face by helicopter.

In November 1977, after a Spanish climber had broken both his legs in an accident, severe storms delayed rescue by five days. By the time Frei and his fellow guide Edl Bohner were lowered on to the face, the injured climber had been on the mountain for 11 days.

In 1984, Frei became head mountain guide for Powder Byrnes, the British tour operator, and has run their powder courses ever since. Last year I joined one of his groups. Now



Skiing near Grindelwald: nearby looms the terrible Eiger

the helicopter had become an instrument of skiing pleasure instead of a vehicle to deliver stricken climbers from pain.

Our small group of five, a former army officer, Robert Williamson, and his wife Iona, and two jewellers, Nick Silver and Pippa Galpin, plus Ueli and myself, had a spectacular

canvases of untracked, virgin snow on which to fashion our tracks: the beautiful mountains on the other side of the Eiger in the Bernese Oberland. Two of the classic descents — from Rosenegg, 11,972 ft, and the Sustenhorn, 11,490 ft, are reached by helicopter.

Another — an exhilarating

descent through the chillingly beautiful Fiescher glacier — can be reached via the Jungfrau, a shoulder of the Jungfrau at 11,329 ft from which Europe's longest glacier, the Aletschgletscher, meanders grandly into the distance.

To reach the Jungfrau you take a truly remarkable

journey on the Jungfrau railway, Europe's highest rack railway. On its way to the Jungfrau, the track curls its way into the Eiger, through the very North face on which so many climbers' nightmares and triumphs have materialised.

The train stops at two halts hewn into the rock, and from

these you can gaze out through gallery windows at the extraordinary climbers' eye-view of the lower half of the sheer face. It is an un-nerving feeling. From the higher station, the Eigerwand, rescuers can climb out through a door on to the mountain face.

From the Jungfraujoch, there is some gentle skiing for half-an-hour down the Aletschgletscher before you reach the first major cross-roads of the glacier, the Konkordiaplatz. Here you fix nylon skins to your skis to enable you to climb without slipping backwards, and begin the 2½-hour slog up to the Grunbortletscher.

From the summit, after an exhilarating descent through a massive snowfield, the Fiescherletscher, one of the most beautiful glaciers it is possible to ski through, beckons you into its maze of icy ridges, slabs, snow-bridges and crevasses. Without Ueli, you simply would not make it.

Like a wily fox, he sniffs out a route. Sometimes the path he chooses looks like a dead end, or veers off in the opposite direction from the one you would expect. On one occasion we inched our way along a ridge with crevasses on both sides.

It was difficult not to feel scared. Ueli grinned. He had seen it all before. Few skiers are privileged to visit this glacier. It could be on another planet. Yet the resorts of Grindelwald and Wengen, teeming with recreational skiers, are only a few miles away. As we glided this way and that, we finally exited from the icy maze and headed on across the snow scrublands of the Fiescher valley.

Finally the snow ran out, and we faced a grueling but invigorating walk down to the pretty village of Fiesch, where there was just time for a cold beer at the railway station. Although we had skied in pretty much a straight line, the journey back took two train and two car rides to reach Grindelwald.

The next day we did it the easy way, by helicopter. The gleaming machine clattered us down to the glacially jagged world of mountain peaks interspersed with cliffs, columns, cols, cornices and crevasses,

before setting us down at Rosenegg.

The descent took us through steep, deep and virginal snowfields first. Even Ueli was grinning. "Ski to my right," he instructed us, "and watch out for the *mulperings*!" The *mulperings* is the local variety of the mythical "snow snake" which lurks just below the surface, intent on tripping up powder-skiers who get too cocky.

Later, as we reached the ice-fields, we had to be a lot more cautious. At one particularly awkward stage, where a fall would have sent us cascading down the ice across the glacier floor, Ueli roped us up and lowered us one by one to safety. We had skied for hours from one solitary helicopter lift.

Every time we paused and looked back we were greeted by a stirring sight: five pairs of tracks meandering down a beautiful snowscape of craggy cliffs, slabs of ice the size of buildings and vast glacial valley floors. Perfect powder was giving way, now, to perfect spring snow, which is much sought-after and is rather like skiing on tiny glazed ball-bearings.

We wanted to do the whole thing again, and with a helicopter it was a luxury we could indulge. The machine gave us a ringside seat as we re-traced our tracks in the powder, turn after turn, marvelling not so much at the satisfactory contours but at the complete isolation. Apart from our traces, signs of any other people were as rare as Yeti tracks.

At the end of the day the smile on Ueli's weatherbeaten face was as broad as ours. A remarkable climber and skier, there is only one challenge that eludes him — the North face of the Eiger.

"The best time to climb the wall is during August, September and October," he said. "This is also the busiest time for the mountain rescue service. But I am still keen to do it one day."

■ Powder Byrnes is at 50 Lombard Road, London SW11 5SU, tel: 071-238-0501. It offers four different off-piste courses, including an introductory course, depending on skier ability. Back is led by a Swiss mountain guide.

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## MOTORING/GARDENING/SPORT

## Is there a cure for this illness?

Stuart Marshall gets a peculiar complaint every time he drives a hot hatchback

I AM suffering from a complaint you will not find in medical books. It comes on every time I slide behind the wheel of a hot hatchback. I call it motorist's schizophrenia.

It affects many people in my trade. The symptoms begin with exhilaration, which develops into euphoria, accompanied by sharpened reactions and heightened self-esteem. During an attack there may be phases of over-confidence followed by moments of apprehension. Once the attack is over the patient suffers feelings of guilt.

I have had several of them recently. The first was in France, when I was let me loose in my new 100 TSi. It is a muscular little beast with a 100 horsepower, 1.4 litre engine under its shoebox-sized bonnet.

Next was in Wales when trying Fiat's 148 horsepower,

2-litre Tipo 16V. Then I had further attacks when living for a week at a time with the Renault Clio 16V (1.8 litres, 137 bhp) and Ford's latest manifestation of the Escort, the 3-litre, 150 bhp, 16-valve engine RS 2000.

Normally, I am not what you would call a fast driver. I aim to cover the ground reasonably quickly but above all smoothly, as a chauffeur might when hurrying to catch Concorde. I confess to not taking the 70 mph (113 kph) British motorway limit too seriously when traffic is light and the road dry. But I think most urban 30 mph (48 kph) and 40 mph (64 kph) limits are about right and 30 mph can be much too fast when, say, the schools are turning out.

Dammit, I do not even approve of self-styled fast drivers - the kind which squeak tyres as they leap away

from traffic lights, look no further ahead than the back of the car they are tailgating and rely on heavy braking to keep them out of trouble. They drive with all the finesse of a bulldozer uprooting a hedge.

Now, really fast drivers - people I have been privileged to ride with like former rally ace Erik Carlsson - are another matter. On the road they do not seem fast but manage to progress incredibly quickly while making you feel totally safe.

But I am wandering away from my point. Why do hot hatchbacks spark off attacks of motorist's schizophrenia? Why should they make one drive in a manner that can be hugely enjoyable but which one knows, deep down, is wrong and out of character?

They are, all of them, attractive cars. Their power is seductive. Driving them is

flatteringly easy because they are instantly responsive. True, the Clio's clutch was a muscle builder and the non-power steered Peugeot 104 felt a bit heavy to park. The Fiat was a flier on the open road, a gentle thing in town. I thought the Ford RS 2000 spectacularly good; the best version of the latest Escort by far.

Maximum speeds are irrelevant nowadays though the slowest of the quartet is the 118 mph (190 kph) Peugeot 106TSi; all the others are good for 130 mph (210 kph). Standing-start acceleration and pick-up in third or fourth gears are impressive.

So impressive that the temptation to head the pack is irresistible, even if it does mean overtaking lines of slower vehicles where it may be safe, but not always courteous, to do so. Pinned-up suspension and wide, higher speed-rated tyres encourage

fast driving on winding roads. Brakes are uprated and sometimes have an anti-lock system.

Let me be honest. Exploiting most of a hot hatchback's performance, handling and roadholding in, say, the Brecon Beacons or the Scottish Highlands is as exciting as giving a good horse its head across open country. But it certainly is not legal. Is it responsible? A small, still voice has often told me afterwards that it is not.

Of course, one does not have to drive a hot hatchback hard enough to offend the law or antagonise other road users. But if one is not going to make use of the extra acceleration and higher cornering and braking limits, why have one at all?

For all their desirability, hot hatchbacks have their downsides. They ride harder and less



comfortably than humbler models in the range. They use more fuel and are more likely to be stolen or at least driven away and possibly wrecked by those mis-named criminal pests, the joyriders.

The current generation of hot hatchbacks started with the Golf GTI of the mid-1970s. But the first off-the-peg small car that could run rings round expensive sporting machines was the Mini-Cooper 1275 S of 1965 - and it was in a Mini-Cooper S that I felt the

first twinges of the sickness I have suffered from ever since. But a cure for motorist's schizophrenia may be in sight. The hot hatchback, like the white rhino, is a threatened species.

Insurance companies hate them, especially when they are owned by the young. Premiums are now high enough to put ownership beyond the financial reach of many a covetous under 30-year-old, especially if they have had a couple of accident

claims. Because of this, demand for used ones has fallen away, and they now tend to depreciate at a similar rate to large engine executive saloons, some of which are worth only 50 per cent of their list price after one year.

It may be only a matter of time before hardening police and public attitudes to aggressive driving and flagrant speeding administer a coup de grace.

## How to keep your plants contained

Arthur Hellyer on the pots, tubs, urns and bags that are available to gardeners



Plant of the week

Eleagnus Gilt Edge

This fine variety of *Eleagnus* ebbingii makes a large evergreen bush with glossy, lance-shaped leaves that are dark green, broadly edged with yellow. They have small, silvery, fragrant flowers in autumn, but it is as a hardy ornamental shrub that it is chiefly valued. It is easy to grow in all fertile soils and is stocked by most garden centres in containers so that it can be planted at any time of the year. It will thrive in sun or light shade, but the best leaf colour is produced when the light is good. If it grows too large, stems can be shortened or removed, preferably in May but certainly by August. It can also be used as a hedge or screen, clipped during the same period. AH

THERE IS little new about container gardening except, perhaps, the name and the facilities that are available for carrying it out. But gardeners have always grown some plants in pots, tubs, boxes, urns and many other containers which could be moved about readily, maybe brought under cover when the weather was bad or the plants were out of season or, more likely nowadays when so many container plants are cheaply raised from seed, simply discarded and replaced with something new.

Le Notre made great use of containers in France in the 17th century. The Versailles tubs which he used are still one of the most elegant designs. They are particularly suitable for large plants such as orange bushes - which is what Le Notre wanted them for - camellias, hydrangeas or rhododendrons.

At the other extreme of utility without beauty is the growing bag. This is a fairly recent innovation which scored an instant success as a convenient way of growing tomatoes, cucumbers and other crops that are

susceptible to soil-borne pests and diseases. Anything that makes it easy to use fresh growing composts for each crop, and to dispose easily and with certainty what has already been used, must be attractive to growers.

It was soon clear that such bags had uses for ornamental plants but it took manufacturers a surprisingly long time to realise that these required bags more attractive in appearance than the plain black, or even worse, the advertisement-covered bags used for commercial crops.

Really good containers should be attractive in their own right so that they can be used as ornaments even when nothing is growing in them.

There are two main ways in which ornamental plants may be used in containers, one to maintain a constantly changing display, largely of plants grown from seed and discarded after a single season of display, the other for more permanent cultivation mainly of shrubs and perennials, some of which may need protection during the winter.

There is no doubt that it is the

seed-raised plants, many of them raised professionally and marketed when just coming into flower, that are making the greatest advance in sales at the moment and are being marketed in vast numbers for hanging baskets, window boxes, pots and ornamental containers of many kinds.

The rise in popularity of patio and terrace gardens, and the increasing use of balconies for growing plants, have all contributed to this increase in using containers, and growers have been quick to seize on the opportunity to market plants in convenient packs suitable for making successive displays.

There are two main danger areas in container gardening whatever its precise purpose and material. These are watering and feeding. They are closely related since plants can only take in food in solution, which is one good reason for mixing the food, whether organic or inorganic, with water.

It is just as easy, and as harmful, to overfeed and overwater as to do the reverse and the two guidelines I regard as most helpful are to use

feeds according to label instructions, erring, if at all, on understrength, and to give water, with or without food, until it starts to trickle out of the drainage holes or slits, or through the moss used to line hanging baskets, and then to give no more until it is needed - and that is the hardest thing of all to judge.

Eye and touch are still the best guides but these are skills that require practice. Moisture gauges are available but I have not found them particularly helpful.

As to what to put in containers, many garden centres and nurseries have excellent display areas with frequently changing container plantings and much can be learnt from them.

An excellent book called *Container Gardening* by Malcolm Hillier, published by Dorling Kindersley, at £14.95, is worth obtaining. It could prove very valuable to inexperienced gardeners not only for its sensible text but also for its many excellent colour pictures showing a great variety of containers, both conventional and unconventional, ways of using them and of associating plants in

them. At the moment terracotta appears to be the most favoured material for containers. Even my local petro station maintains an excellent selection of them and, because of its porosity, it is a material that plants like.

Terracotta is only the up-market name for what in humbler circumstances is just a clay pot - and most old gardeners still maintain that plants feel more at home in clay than in plastic because clay breathes and also allows movement of water.

When plants are to be changed frequently I would always prefer peat-based composts which are clean and easy to handle. For more permanent planting there is a good case to be made for old-fashioned soil-based composts of the John Innes type, but I find that many of these sold under that name contain too little humus and so get too impervious to air and water after a few months.

The remedy is to add more peat, leaf mould, old mushroom compost or whatever is available that will keep the mixture porous for a long time.

## Boxing

## Lewis shows the moves of a champion

Keith Wheatley meets a serious British heavyweight contender

FEW British sportsmen are looking forward to 1992 as much as Lennox Lewis. If the dice roll his way, the Kent-based heavyweight could be fighting for the world heavyweight title before the year ends. Furthermore, there are grounds for believing that Lewis could be the first Brit to hold that title since Bob Fitzsimmons in 1897.

Should that happen, his earnings would make those of Frank Bruno look like panto-mime takings. Boxing may not enjoy the profile or support it once did. Yet one should not underestimate the fervour that would surge behind a Briton who made it - not least in America.

"England is seen here as the birthplace of boxing and with nearly 100 years since there was a British champion, Lennox is beginning to tap into that wave of sentiment," explained John Horner, a young Chicago attorney and Lewis's lawyer, friend and confidante. "Since the International Boxing Union Group, it was Lewis who flew the boxer and Horner over from Canada - where Lewis lived until 1989 - and offered him a car, house, \$200,000 signing-on fee, and even a job for his mother."

Horner concedes that the terms were absurdly generous, but says they reflected the passion of the boxing-mad tycoon to "breed" a British champion. "The deal is personality-based. Lewis had to have Lennox Lewis, whatever it cost," says the attorney.

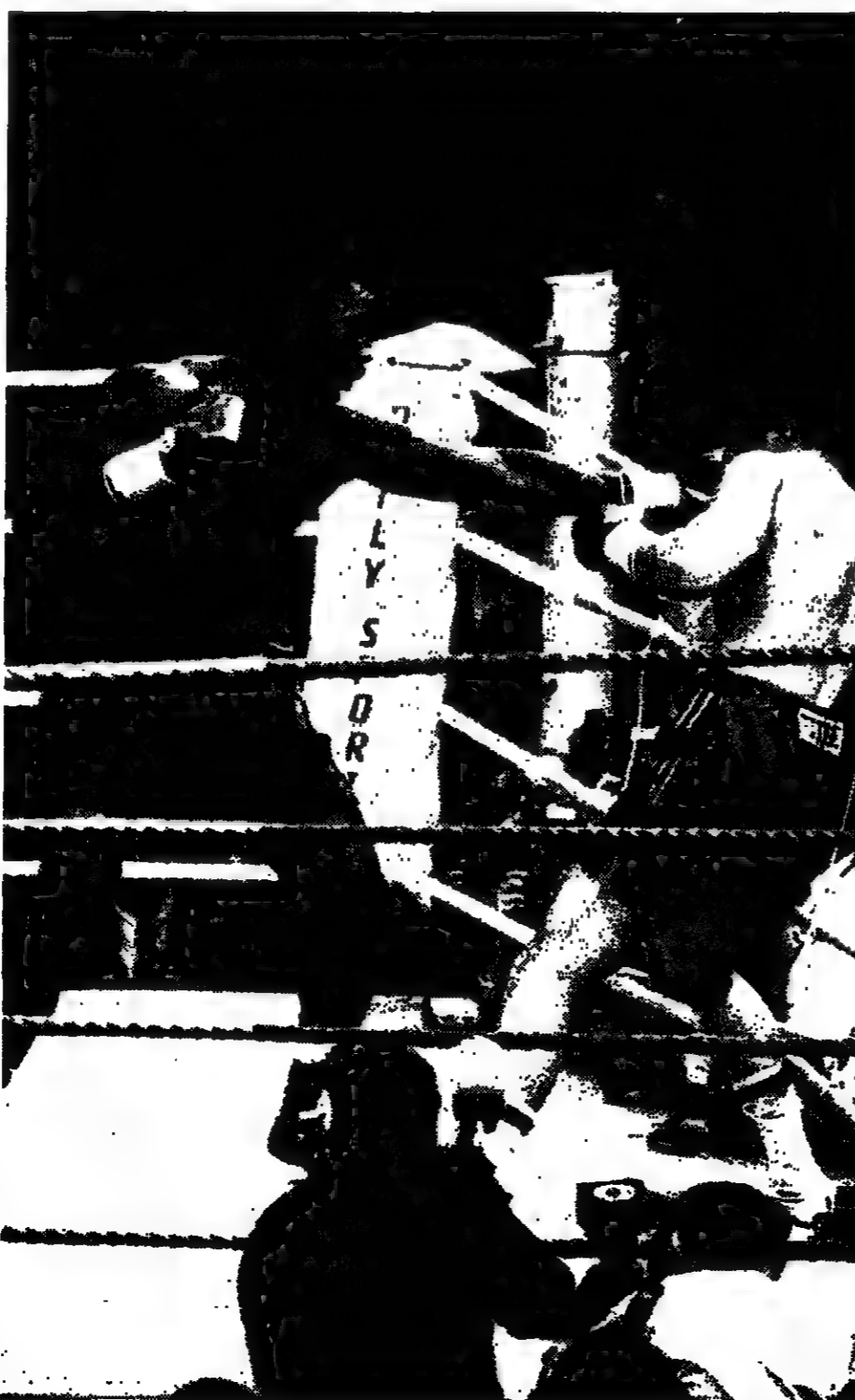
Lewis, 26, is one of the most pleasant, intelligent and articulate sportsmen you could wish to meet. If Bruno is Ian Botham, Lewis is David Gower. He describes himself as "just another bumpy" (black urban professional) who wants to earn a million from boxing and get out as fast as possible. In spite of his connection with Lewis, it is hard to see him dropping into any kind of shady milieu in the way that Tyson and promoter Don King fit so easily together.

Although born in London, Lennox Lewis grew up in Canada, for which country he won an Olympic gold medal in 1988. A dream of sentiment, Lewis gold and a hunch that Britain

might offer a fairer face to a hungry black boxer than North America brought him back home. In Toronto, they still tell the story of how boxing promoter Irving Ungerman, who made his fortune in the chicken business, offered to take the young gold-medal winner, about to turn pro, into his stable, which had once included contender George Chuvalo.

Lewis listened attentively and then noted that Ungerman was also guiding the career of Donovan Boucher, a black welterweight who had ended the career of white hope Shawn O'Sullivan some months earlier.

"Mr Ungerman," Lewis observed, with the utmost courtesy, "you manage Donovan Boucher and he knocked out Shawn O'Sullivan who made all those chicken commercials for Swiss Chalet. And you sell the chickens to Swiss Chalet, so now how come Don-



On target: Lennox Lewis traps Glenn McGrory in a British and European heavyweight title bout

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"Mr Ungerman," Lewis observed, with the utmost courtesy, "you manage Donovan Boucher and he knocked out Shawn O'Sullivan who made all those chicken commercials for Swiss Chalet. And you sell the chickens to Swiss Chalet, so now how come Don-

ovan Boucher isn't making any commercials?" For once, the loquacious Ungerman was dumbstruck.

One cannot help thinking that a 23-year-old who can handle a chicken magnate so stylishly is going to come out of the Lewis mess in good shape. More important, he may give us the biggest sports cheer of all in 1992 and beyond. Lewis says that if he wins the title he will stage all future defences in Britain.

## Tennis/John Barrett

## The year Seles ruled

THE outstanding tennis player of the year in 1991 was a woman.

The double-barrelled power of Monica Seles brought the 18-year-old Yugoslav left-hander ten titles including all three grand slam championships she contested (Australia, France and the US), plus the season-ending Virginia Slims.

In a remarkably consistent year she reached the final of every tournament she entered and could be criticised only for the manner of her mysterious withdrawal from Wimbledon.

As a result of the storm of controversy that surrounded her absence on the subject, she will be a wiser woman in 1992.

Stefan Edberg's claim to top spot among the men is not so clear-cut. As in 1990, the four grand slam titles were won by four different players. Boris Becker, after winning his first Australian title, had a spell atop the computer rankings and rose briefly to that post again following his passage to the Wimbledon final.

Michael Stich's victory that day was an astonishing performance for a man who had only one tournament success to his name, and the psychological damage he inflicted on Becker seemed to affect his fellow German for the rest of the year.

Jim Courier, the American in Paris, whose forceful top-spin brought him victories over Edberg, Stich and Andre Agassi on the slow red clay to earn him a first grand slam crown, was also a finalist in New York, but he was crushed there by Edberg.

The year had started badly for Stefan with a semi-final loss to Ivan Lendl in Australia after the Swede had served a double-fault at match point. Things did not improve in Paris where he fell to the groundstroke power of Courier, and at Wimbledon there was that frustrating semi-final loss to Stich when the German never broke his serve but won three tie-break sets after losing the first.

Edberg finally stamped his

## John Barrett's 1991 world rankings

(last year's rank in brackets)

1 Stefan Edberg .... (Sw 1)	1 Monica Seles ..... (Yug 2)
2 Jim Courier .... (US -)	2 Steffi Graf ..... (Ger 1)
3 Boris Becker .... (Ger 5)	3 Gabriela Sabatini ..... (Arg 3)
4 Michael Stich .... (Ger -)	4 Martina Navratilova ..... (US 4)
5 Ivan Lendl .... (Cze 2)	5 Arantxa Sanchez-Vicario ..... (Sp 6)
6 Guy Forget ..... (Fra -)	6 Mary Joe Fernandez ..... (US 8)
7 Andre Agassi ..... (US 3)	7 Jennifer Capriati ..... (US 10)
8 Pete Sampras ..... (US 4)	8 Jana Novotna ..... (Cze -)
9 Karel Novacek ..... (Cze -)	9 Conchita Martinez ..... (Sp -)
10 Petr Korda ..... (Cze -)	10 Manuela Maleeva-Fragniere ..... (Bul 6)

authority on the year in New York. His crushing wins over Lendl and Courier in the last two rounds brought him his fourth title of 1991, a total he later extended to six with wins in Sydney and Tokyo. Only Guy Forget, one of the heroes of France's emotional Davis Cup success against the Americans in Lyon, could claim as many titles in 1991.

Courier leaps from near obscurity to the No 2 spot. He was not far from dialling Edberg from No 1. He had lost to the Swede in Melbourne but balanced that by gaining revenge in Paris, and would have overtaken him if he had won their final in New York.

The 21-year-old double-hander is a gritty competitor who makes the most of his physical strength. With the help of his coach, Jose Higueras, Courier is a much more patient player and his three tournament wins, plus an appearance in the final of the ATP Tour championships in Frankfurt, gives him the edge over Becker.

Stich's Wimbledon triumph alone would have given him preference over Ivan Lendl, but before that the 23-year-old newcomer had been a semi-finalist in Paris; afterwards, he claimed the titles in Stuttgart, Vienna and Schenectady, New York to underline his rising status. With a second serve the equal of most men's first delivery, a beautifully-timed backhand of great penetration and a growing awareness of his latent ability, we could see greater things from this intelligent and likeable man in 1992.

After a dramatic loss to Becker in the Australian final, Lendl's year was marred by an infection on his playing hand following an operation to remove hard skin. He missed the French Open and did not recover his best form at Wimbledon or in New York. However, he did gain three tournament wins and performed better in major Championships than Forget.

Below Seles there was little difficulty in rating the next four women. Steffi Graf reclaimed her Wimbledon crown in a nail-biting finish against Gabriela Sabatini, but could forget the family problems that had so affected her in 1990. However, she is unlikely ever to forget the humiliation of a 6-2 6-0 loss to Arantxa Sanchez in the semi-finals in Paris, her worst defeat at a major Championship.

By reaching the final at Wimbledon, the semi-finals in Paris and the last eight at the Australian and US Opens, Sabatini had a marginally better year than Martina Navratilova who did not challenge in Melbourne or Paris but did reach the final in New York.

Navratilova lost her Wimbledon title at the quarter-final stage when Jennifer Capriati, belying her 16 years, produced an extraordinarily mature performance to win in two close sets. This was one of the best matches of the year but Capriati gave us an even greater thrill in New York by taking Seles to the brink of defeat in a heroic semi-final that ended in a third set tie-break of unbearable tension.

## Top tipster by a distance

ADRIAN COOK first, the rest nowhere. That was the outcome of the *Racing Post's* 1991 national tipsters' competition in which Cook, who tips for the *Post* under the nom de course Dismal, won a £2,100 prize by giving 2,015 winners from 6,590 tips (strike rate 31 per cent).

All tipsters had a bank of £1,200 to play with. When Cook was profiled in the *Weekend FT* five weeks ago, he was £178 clear of his nearest rival. By year's end, Cook had stretched that lead to £200, finishing with £200 in the bank. The 25 per cent reduction in Cook's original bank (from £1,200 to £900) is a perfect measure of how difficult it is to make betting

pay when confronted by high commercial odds.

The competition's runner-up was Robin Goodfellow of the *Daily Mail* (£700). The worst performers were Templegate of the *Sun* (£283) and Man on the Spot of the *Sporting Life* (£281). Cook, 38, said this week that his favourite races for tipping purposes were eight to ten-runner middle-distance handicaps, both on the flat and over jumps. His worst sprint handicaps. Essential information: Cook himself bets only once a year or so. He thinks it is a mug's game.

Michael Thompson-Noel

## BOOKS

## Metaphysical? modern? no, it's epigrammatic

**S**PARE a thought in your New Year meditations for an old friend who has just been reissued after 56 years' service. The *Oxford Book of Seventeenth Century Verse*. Of all the *Oxford Books* it was the most influential, promoting the 20th century revival of Donne, Herbert and Marvell. It was not quite first in the field: the appearance of an earlier anthology, edited by Herbert J.G. Grierson in 1931, prompted J.R. Elliott to write his famous essay, *The Metaphysical Poets*. This was reissued in 1984 by the *Oxford Book of Verse* edited by Geoffrey Bullough.

"Donne's 'Songs and Sonnets', not alone in virtue of their content and wit, but in their rhythms, their suggestion of speech rather than song, mark a new fashion in poetry, a shifting of the centre of gravity..." wrote the editors in their preface, claiming that this new fashion dominated the period. That claim has, over the past 50 years, been the subject of continual debate in departments of English.

The question was, for instance, widely discussed in the Cambridge *Journal of Literature*. In 1936 there appeared, from one of its editors, F.R. Leavis, the book *Revaluation: Tradition and Development in English Poetry*, advocating a new critical rating for several of the poets in the *Oxford Book* and taking a swipe or two at its editors in the process. Nor was the discussion confined to academics in universities. It provided inspiration for poets. Eliot, Auden, MacNeice, Empson found fruitful models in the *Oxford Book*. For a while it seemed as if the term "metaphysical" and

"modern" were synonyms where poetry was concerned.

It was, surely, reasonable after more than half a century to appoint an editor of a later generation to make a fresh Oxonian selection of poetry to represent this wonderful rich period. Professor Alastair Fowler was the man chosen for the job; he is, as was Grierson, a Scottish academic, and his approach to literature is historical.

Fowler is a foremost authority on the development of literary genres, an interest which gives him a rather different perspective from his predecessors. He points out that the underlying poetic genre for the whole period was epigram in the Greek sense. Typified by brevity and a closing "point", epigram is the standard brick with which many a 17th-century poetic struc-

ture, great and small, is built. Epigram is to be discerned as much in a passionate love-poem by Donne as in those more leisurely, ceremonial country house poems in which the period delighted - Jonson on Penshurst, Marvell on Appleton House, Cotton on Chatsworth, and their offshoot, the garden poem. Fowler describes these Estate poems as examples of English Georgic - a much more fruitful concept when thinking about the poetry of the period than "metaphysical".

The main difference between the old and the new anthologies is that whereas Grierson and Bullough were metaphysical fundamentalists, Fowler is an ecumenical liberal and he has opened the door to an even wider variety of poets in kind and gender than the previous editors. The question arises: has this breadth involved a sacrifice of depth, of excellence?

Well, all the familiar names are here including Shakespeare, Ben Jonson, Donne, Marvell, Herbert, Milton, Dryden, Cowley, Herrick. But mingling with these truly great is the Leveller poet and pamphleteer, Gerrard Winstanley with "The Diggers Song" and so are even more obscure figures, the waterman Edward Taylor, the alcoholic Richard Braithwaite and the lunatic James Carlesse.

Other newcomers include women poets ignored by the editors of the original *Oxford Book* - that fine American poet Anne Bradstreet, and Lady Mary Wroth, who wrote despairing love-sonnets; also, Margaret Cavendish, Anne Finch, Mary Astell, Elizabeth Tipper, and the mysterious Emilia Lanier. The latter was A.L. Rowse's candidate for Shakespeare's dark lady. She had not been discovered in time for the Grierson anthology, and even if she had, would not have got into it. Another recent poetic find is Cowley's epic *The Civil War*, parts of which Fowler has included.

But in spite of these crucial differences, frequently there is a duplication between the two anthologies, and it is revealing to compare their presentation of the same poem. Fowler has modernised all spellings and use of capitals whereas the ear-

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edited by Alastair Fowler

Oxford £25, 831 pages

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## Still alive - and biting

**PRIVATE PERSONS** may be vampires, or blood-suckers, or blood-drinkers, or blood-brothers, but nothing less than the Power of a Treasury can raise up a complete vampire." (Gentleman's Magazine, 1783).

Bram Stoker began *Dracula* one hundred years ago. It was already an enduring and replicable myth, resistant to changing fashion and scornful of parody. Where did Stoker get his ideas? Or, more interesting, why is vampire literature alive and biting?

Christopher Frayling has gathered a wide collection of vampire literature in his *Vampires*, a capacious book dripping with suspense and horror. His excellent introduction tracks the history of vampire tales from 18th-century Serbia to Stoker's 1897 classic, showing how Stoker synthesised elements of the folkloric vampire, the Byronic Lord, and the femme fatale in the same book.

The first of these vampire folklores from Serbia and Bohemia, had surfaced in English periodicals in the 1780s and 1790s, and was available to Stoker. The second, the Byronic figure, dates from 1818, when modern vampire literature began with John Polidori, Byron's physician. His *The Vampyre* was written in three mornings after spending the summer of 1818 with Byron, Shelley and Mary Godwin (the same party produced *Frankenstein*). Polidori's hero is an English aristocrat preying on impressionable women and society girls in Athens and London. It was the first Byronic vampire.

Goethe had made vampires respectable in 1797 with *The Bride of Corinth*, but it took Polidori's book to make the vampire respectably visible, and Byron's reputation in the 1820s to add a social tang to the taste of blood - thus an 1820 Parisian account of "Don Juan vampire".

Stoker's third ingredient, the femme fatale vampire, arrived in 1820 with Hoffman's "Aurora" (from *The Serpentine*), the tale of a dark-eyed and deathly pale business woman who prefers warm blood to cool Chianti. Throughout the 19th century, Poe, Gogol, Dumas, Lyne, and others made vampire stories, but none was as chilling as

Stoker's *Dracula*. Frayling includes some revealing excerpts from Stoker's 1897 *Dracula*, and part of a novel, part biography, and part formal art criticism, a mixture, perhaps, of poems in prose and hard scholarship. This cocktail could prove very stimulating, of course; and the publishers have been quick to make a virtue of the method itself in the handsome publicity material that accompanies the first batches of books in the series. They use such words as "magical", "otherworldly" and even "emotion of knowledge" as they endeavour to anticipate the likely impact of the texts upon their readers.

The matter of design is given a special emphasis by the publishers, too. Each spread, for example, consists of text on the left-hand page (beautifully printed against a background tint of beige as if it were a page from a novel) and a colour plate on the right. This fosters the illusion that the text - a "book-within-a-book" - is how the publishers describe it - has the coherence, the importance and the well-crafted unity of a good novel, and that it will indeed "permit the reader to advance... in these two worlds of the fictional and the artistic".

The titles are also very good value for money: £12.99 for a book that contains more than 30 large colour plates (made

## VAMPIRES: LORD BYRON TO COUNT DRACULA

by Christopher Frayling

Faber & Faber £17.50, 425 pages

Gautier's erotic *La Mort Amoureuse* "sea-green eyes and teeth of the purest Oriental pearl" from 1836.

Stoker himself was a compulsive note-writer and list-maker, as the holdings at the Rosenbach Foundation in Philadelphia and the Shakespeare Centre, Stratford-upon-Avon, clearly show. Stoker's scrupulousness comes over plainly: a wonderful list of Dracula's characteristics scribbled on Lyceum Theatre notepaper reminds one of his life in the theatre (he was Henry Irving's secretary and manager for 27 years); the 90 pages of notes for *Dracula* bear the impact of Stoker's precise mind, right down to railway timetables and weather manuals.

Frayling confirms the origins of *Dracula* ("Count Vampyre" in one of Stoker's dreams, scribbled on a scrap of paper in March 1890: "young man goes out - sees girls - one bites - he kills him - on the lips but throat. Old Count interposes - rage and fury diabolical. This man belongs to me, I want him." (sic)).

As a postscript to the extracts in this crowded book, Frayling includes some revealing excerpts from Stoker's 1897 *Dracula*, and part of a novel, part biography, and part formal art criticism, a mixture, perhaps, of poems in prose and hard scholarship. This cocktail could prove very stimulating, of course; and the publishers have been quick to make a virtue of the method itself in the handsome publicity material that accompanies the first batches of books in the series. They use such words as "magical", "otherworldly" and even "emotion of knowledge" as they endeavour to anticipate the likely impact of the texts upon their readers.

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# A little light music

### *Ronald Crichton visits Paris and Nantes in search of comic opera*

In *Petrushka*. Otherwise big musicals loom large, with *The Big Bad Wolf*, *The Miserable* at the Châtelet, *Les Misérables* at the Mogador and *Peter Pan* at the Casino de Paris. To find a real French comic opera I went to Nantes, where at the handsome theatre-promoted-to-opera-house queuing it over the Place Graslin, a stone and stucco circus with streets radiating star-wise (imagine a theatre in such a commanding position in a British city!) has a new production of Messiaen's *La Bouteille*.

pagne to queuers. Inside, the assistants were disabliging enough to qualify for automatic British citizenship. There were no other women. Their impatience is not caused by ignorance or lack of interest but by unconcealed feelings of superiority.

In and around the Champs-Élysées, the trees green after the rain, the trees with the lights - simple but magically effective. The Southern end of the Madeleine is shrouded in mysterious, pearly blue, but I was disappointed to find no special illuminations this year for the Opéra de Paris. Outside Garnier. Indoors, the house was full and well sprinkled with children for a Saturday matinée of the ballet *Romeo and Juliet* in Nureyev's 1984 version, resplendent with Patrick Dupont, Mouna Moussier, Eric Vu an and Yann Bideret. A century offering to Prokofiev, no doubt, but I must confess that, coming back to it after some time, the score as a whole does not wear

Little evocation of stars of the past - not a sight of Maurice Chevalier's straw hat. The only Josephine Baker number I identified was sung by a Nordic-type blonde, Arielle Donbasie. Built around the personality and versatile talents of the indomitable, inextinguishable, veteran baritone Gabriel Bacquier, smoothly directed by Olivier Bédué in décors by Lagarde and brilliant costumes by Christian Lacroix, eye and ear were agreeably entertained. It was nice to hear the music-hall song about a wooden leg which Stravinsky used in the foreground music

firmly well.  
Lovers of that splendid building will be delighted to hear that culture minister Jack Lang has announced the completion of the redecoration and considerable enlargement of the West wing, where the Opéra's mouth-watering museum collections have long been housed in cramped conditions. They will now be displayed in showcases specially designed by Richard Peduzzi. The space, with larger reading rooms and better facilities for temporary exhibitions, will presumably embrace the gargantuan Egyptian staircase at the foot of which one half-expects to discover the crouching form of Aida.

At the Opéra-Comique down the boulevard, where formerly a fine line of distinction existed between comic opera and opéra-comique, the barriers are down with a vengeance. The

Arielle Dombasle and Gabriel

Messenger was a conductor of great distinction, responsible among other good deeds for the first performance of Debussy's *Pelléas*. He was also a composer of light music of the finest quality. *Le Basoche* appeared at the Opéra-Comique in 1890 and remained in the repertory for years. D'Oyly Carte staged it in London as *The King of the Students* at the short-lived English Opera House, where it succeeded Sul-



accueillir in "L'œuf à Pierre"

livan's *foam-bow*. The Basoches were student associations traditionally granted some licence: they elected their own "king" and gave pageant-plays of historical and doubt scurrilous plays. One of their "kings" was the poet Clément Marot, who in the opera (Albert Carré's libretto is ingenious but complicated) catches the eye of the young English princess, Mary II, coming to Paris as the second wife of Louis XII. Being a lively young woman she arrives a day early, *incognito*, to see Paris for herself. One result of their meeting is that Marot's *basoches* have the princess off as the Princess. When the truth comes out Mary is dismayed, Marot being a more attractive proposition than the ageing genuine King (in real life, Louis died soon after the marriage, leaving Clément Marot home as Duchess of Suffolk).

The music is light as air, with the subtle harmonic touches Messenger managed so well, equally happy in pesticides 16th century songs and in ensembles with an unexpected whiff here and there of *Die Meistersinger* - Messenger, a fine Wagner conductor, had recently enjoyed that work at Bayreuth. One is grateful to Nantes for rescuing *La Bache*, now surely due to join the rediscovered *Fortunio* in the repertory, even though the production by Philippe Arlaud is not very distinguished.

Two performers stood out — the stylish, experienced Jean-Louis Soumagnas as Maître Roland, Marou's rival for the student kingship, and Sophie Laurent as the beautiful, somewhat flirty girl. Her singing was sometimes insecure but she perfectly caught the note of warm-hearted rural innocence with a touch of slyness. As the Duc de Longueville, sent to accompany Marou to France, he was a little more like why "Elle est saine!" became "opera's best-known number, but elsewhere forced the comic note relentlessly. Conductor Jean-Louis Forestier's feeling for tempo was sure. Perhaps the grandly-named Orchestre Philharmonique des Pays de la Loire was a little uncertain of the difficulty of accompanying comic opera at this level.



**Arielle Dombasle and Gabriel Bacquier in 'L'as tu Revue'**

## Radio

# Nostalgic about Communism

**T**HE TEMPTATION to mark New Year's Eve by recalling all that happened in the year was resisted by all the BBC networks except Radio 1, who gave us a *Top 40 of the Year*. To mark New Year's Day with forecasts for the coming year was a privilege given only to the Prime Minister, interviewed by James Naughtie, though the previous day BBC correspondents, chaired by Gordon Clough, gave their own conventions.

The programme was sympathetic rather than seductive, and did not keep Sir Michael Checkland's name out of the Prime Minister's list on Tuesday.

My favourite programmes over the year's end were *From Guilty to Godard*, concerts of French popular songs that Richard Mayne presented from Saturday to Friday (not Sunday). Each evening, ten recordings and the songs were taken only from films – the sole possible excuse for not including Jean Sabin. On Saturday we had *Les Femmes d'Alger*, and on the movies then, but apt songs could always be found – Edith Piaf grinding out "Ca ira", for instance, or Yvonne Printemps fully operative in an

In the 1920s we had Chevalier in "Valentine" and Danielle Darrieux, very sad, in "Déjà". But the 1930s had songs still often enough heard to keep them vaguely familiar. Here were Patachou in the program, the theme-song, "Souls le ciel du Paradis", and Yvonne Printemps singing "C'est lui"; Darrieux again, as a Russian princess challenging the weather, "Il peut neiger"; Fernandel longing to be *lutetis*; Yvonne Printemps, too, for older, singing "Je me suis perdue dans l'opéra"; and the discovery of the season, Charles Trenet, in "Je chante" and "Il pleut dans ma chambre". There were also such treasures as Yves Montand, Bardot, Charles Amavauer, Jane Birkin (once banned by the BBC), Never mind about understanding French; the songs and the singers were,

Radios 3 and 4 both had continuing "Consequences" games over the holiday. They were

joined by Radio 5 in *Chain Reaction* from Tuesday onward. The idea was that on Day 1, A interviews B; on Day 2, B interviews C; on Day 3 - get it? But they picked the wrong names. On Tuesday, Philip Steadman interviews John Cleese. Steadman once drew a great question out of me: "What's the best book of mine; but he is no interviewer, and Cleese kept interrupting him. Cleese interviewed American novelist William Goldman, who wrote the scripts of such films as *Mozart*.

than *Man and Butch Cassidy*, but he was seldom made to sound interesting. Then Goldman interviewed Sir Ian McKellen, and he in his turn Glenys Kinnock; but I wasn't listening by then.

Two errors in my summary last week. One, the genes programme didn't go out on Christmas Day; two, *Mind the Gap* was not transferred from Radio 1 to Radio 4 but the other way round.

**B. A. Young**

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## Video

## Stop mugging the paying public

**I** AM in an office at 30th Century Fox in Los Angeles, and Mel Brooks is screaming at me across his desk. "Hollywood - this is the lead of your article! - Hollywood doesn't care about it. It just wants to make hits! People think *Home Alone* is a good movie because it made \$550m worldwide. But people think it's a good film because they like things that are easy, they like bland crap! I made a film called *Life Stinks*...."

And he is off, talking my ears raw about *Life Stinks* and how good it is and how it salutes the human condition and how it's a satire of the world of comedy surfaces even in the depths of degradation. "What has happened to the man? Five minutes ago he had a sense of humour."

The video age has happened. Mel Brooks knows that *Life Stinks* is coming out on video. He's a comedian, and he represents via a pink newspaper, and this presentation of his is

Publicity Push 2: the Casanova. *Life* is his last chance to ensure that a film that made no money at the box-office (except, he points out insistently, in Italy) makes some from the video market.

*Life* thinks is not a good film, but it is decent-hearted and it, yes, salutes the human condition. Monks by month the film is a good deal more than that have no interest in any condition other than that of their distributors' wallets. January is a worse month than most, because the quality product came out before Christmas and we are now deluged with the *Brat*, *The Brat*, *Earth 101*, *The Spanish Prisoner IV*, interspersed with last year's spendthrift also-rans like *The Godfather Part III* (CIC).

A video shop is a wonderful place: all that blood and violence splashing about on cassette jackets. The most lurid jackets are usually those advertising made-for-

video cheapies, identifiable by key words in the titles like "novelty," "scenic," or "plaid." But mainstream commercial films now have to compete with these eye-catchers. So they're surface on video, after a possibly shaky theatrical run, wearing a bold, bright jacket with splashy graphics and a scroll of critical encomia. Never mind the fact that you can remember saying anything good about the film concerned.

At the same time men like Mr. Brooks must indulge in their innate hype to coin a film title more money from a failed theatrical run than they can make in film in order to keep their place a little longer on the faltering pedestal.

It is a demoralized cultural-economic climate. Critics are sometimes asked why they express negative or carping opinions about a work of cinema. The answer is: because they are the only people connected with the industry when assessing a film. Is not

any longer on guard duty. Most of them have done their job, they think they've saved the first three years in the industry. They're Cassinetti's era. Hence the anomaly that when a film is vide released and most viewers actually come around to see it, no professional guidance on offer: except from video magazines which largely exist to sell, not to assess, the new wave.

Two ringing exhortations therefore. Critics, you should be more aware of how art when film viewers actually view films. Men and women in the industry, you should stop trying to make the paying public like whenever it comes around the corner into Video Alley without a policeman in sight.

Enough, or I shall rise shouting across the furniture like Mr Brooks. Let us now graciously salute that film maker's talent, forgive him his *Life* Siskins, and remember that the video revolution is a new wave. They include *The Pro*

The Prime Minister, interviewed by James Naughton, thought the previous day's correspondents, chaired by Gordon Clough, gave their own conceptions.

Surely one of the most important events of 1981 was the demise of the Communist Party of Great Britain, the British left's until now change into the Junior Industrial League; and I could not like anyone who, when you did not find something generous about the idea of communism. Many good names were remembered in Radio 4's *Democracy*, the *Communist Party* moved on Sunday.

Intellectuals were recalled rather than such folk as "Ken" at Morris Motors; as many changed their minds. Day Lewis left "kind of romantic" and (less attractively) thought that "officer-class minds" could direct the workers. No one minded his boss, as the *Communist Party* said: "Stanley, never."

Richard Mayne presented the Saturday to Friday (not Sunday). Each covered a decade and the songs were taken from films — the sole excuse for not including *Le Babilon*. On Saturday we had the 1920s; there was a gap in the 1930s, then, but the songs could always be found on Edith Piaf grinding out *Je t'aime*, for instance, or Yves Fassin's fully operatic *Le Carib*.

In the 1950s we had Chantal in "Valentine" and Danielle Darrieux, very sad about "Déjà." But the 1980s songs still often enough have a French flavor. In the 1960s, *Les Femmes de Pétachou* in the same genre were the theme-song, "Souviens-toi de Paris," Jacqueline Baret singing "C'est moi," Darrieux again, as a Russian prince chasing the weather, Fernandel kept being *le satrap*, Yvonne Poupard singing "C'est moi que j'aime." But the 1980s songs were not *le satrap*, and the discovery

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			Christmas Day, two <i>Milk and Honey</i> and <i>Gog</i> was not transferred to Radio 1 to Radio 4 but other way round.	
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The lesson that advertising overkill exists in the video arena even more than the theatrical one is that few critics are

*Movie and (my favourite) TV History Of The World Part* Meanwhile the best non-Brooklyn yearly release is *Listening To Britain: A Jennings Trilogy* (Imperial War Museum, COL) This comprises three of Humphrey Jennings's masterly war documentaries combining patriotism, humour and a tender, caustic visual poetry.

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I AM very fond of Germany, I like a lot of German culture and some of my best friends are German. But I am beginning to think that Nicholas Ridley was on to something in his infamous July 1990 interview with *The Spectator*.

You will recall that he described the European Community as a German racket designed to take over the whole of Europe.

He rather spoils his case with some unguarded language, not to mention strange references to German "habits". His blimpish attempt to link modern German politicians with Hitler's Third Reich was unforfeitable. But Ridley's description of Germany as the dominant power in the EC is hardly anything new in the economic sphere.

What has happened since the Bundesbank raised interest rates just before Christmas is only the latest example of this. Almost every country in the exchange rate mechanism has followed suit and

## With friends like Germans...

John Willman finds himself more and more in tune with Nicholas Ridley

put up rates - irrespective of national economic needs.

Most of Europe has accepted an unnecessary deflationary blow because Germany needed to rein in the spending party after unification. Even in the UK, the only ERM country to buck the trend, the jury is still out on whether a rise in interest rates will be necessary.

If British interest rates do rise in the next few weeks, who can doubt that the decision was taken in Frankfurt rather than Great George Street?

What is new is that this economic dominance is flowing into other fields - most obviously into foreign policy. A sobering example was provided by Germany's bulldozer

tactics in pressing the EC for early recognition of Croatia and Slovenia, against the better judgment of most other member states.

Just days after signing up at Maastricht for European political unity, Chancellor Kohl described the decision as "a great victory for German foreign policy".

From here, it looks a good deal more like what Ridley described as a "rushed take-over by the Germans on the worst possible basis, with the French behaving like poodles".

Then there is the EC's Social Charter, which threatens to impose German employment costs on other member states.

The argument is that this will level the playing field of the

internal market. But the better the pitch, the more likely it is that the stronger team will win. The price of joining the German club is agreeing to the German rules.

Of course, it is hardly surprising that Europe's most populous nation should seek a political role commensurate with her economic strength.

Two disastrous attempts to establish German hegemony over Europe earlier in the century by military means failed to win friends and influence people. This time, power and influence has been won without a single shot being fired, through the unbeatable combination of a stable currency and a strong manufacturing base.

The resulting *par germanica* is far more attractive than any tinpot empire. Newly-freed countries from the east queue to join, and the mark is already the hard currency from the Oder to the Urals.

I suspect that many people in Britain would happily contract out the UK's economic management to the Bundesbank, especially if they could exchange their pounds for marks.

Indeed, that is precisely what monetary union is about for most EC countries - trading recognition of the predominance of the D-mark for a seat at the Bundesbank table.

The price of that seat is agreement to German demands for a more unified political structure

which Germany will dominate as the largest and strongest economy. That is where the furor over the decision to recognise Croatia begins to ring alarm bells.

A European Union dominated by Germany may be a good place to spend the third millennium. But old enmities could re-emerge with the "upstart" Germans challenged by the equally uppity French or Italians. How can such conflicts be resolved if sovereignty has been ceded to an institution dominated by one power?

Ridley attracted ridicule for his view that a more unified Europe would make it harder to preserve a balance between the main continental powers - the traditional aim of UK foreign policy.

For his pains, he was accused of being a little Englander, dwelling in an imperial past and unable to come to terms with the new Europe. Yet I find myself increasingly in tune with his argument, in spite of a fondness for things German.

## Auld lang signs

Michael Thompson-Noel



I ENJOYED myself on New Year's eve. I took my assistant, Miss Lee, to dinner at the Moody Mango in Mayfair. Ordinarily, the prices are so steep

that I have to wait until I

am invited, but the last time I was

there I won a door prize, dinner for

two on New Year's eve. So off we

went in the trusty Rover, dressed to

kill.

I had toyed with inviting Norman

Lamont to join our table. I have

been ruder, for longer, about Nor-

man than almost anyone. Right

from the word go? I thought some-

thing's not right here, it will all end

in tears. Which is why it occurred to

me, on New Year's eve, that magis-

nimity would be in order, especially

as Norman and I will be Nothing

Hill neighbours in 1992, as soon as

he leaves Downing Street.

But then another thought struck

me. Would it be fair to invite Nor-

man to the Moody Mango and ignore

the other doomed ministerial

souls who appeared in this column

in 1991? John Major? Kenneth

Baker? Malcolm Rifkind?

Answer it would not have been

fair, so I did not invite him. But

Miss Lee and I were not short of

company at the Moody Mango, for

those in attendance included many

of my closest friends, all of whom

surfaced in this column last year.

Miss Lee was at her loveliest. She

is a fortysomething Yorkshire-

woman, well to the right of centre,

who spends absurd sums on clothes

at the dreadful Harvey Nicks. But

that is her only fault. She has pos-

ses. She is fragrant. And she counter-

balances my own glum moods and

(very minor) pretentiousness.

"Have you made a New Year's

resolution?" asked Miss Lee, candi-

light dancing in her blue-green

eyes.

"No," I said, through mouthfuls

of *pesce ai ferri alla moda dell'Ad-*

*riatico*. "Too banal by half. I read

last weekend that Will Carling's res-

olution for 1992 was to drink less

## HAWKS & HANDSAWS

coffee. What a potato! Who is Will Carling?

"You know perfectly well, Michael. We're not at home, tonight, to Mr Silly-Talk."

Just then, Jack Hillbrooke, Britain's richest bookmaker, crossed the room to greet us, accompanied by two other dear

friends, Sheikh Walli Al-halabi and Lady Catherine de Moubay-franch-Moubay. All three were sombre.

"Hi there, Jack," I said. "And what is your resolution for 1992? To bleed the last drop of blood from the hapless punters? Or you, Sheikh Walli? To buy another 1,500 race-

horses? Catherine? To change your Korean chauffeurs even more frequently?"

None of this went down well. "I am battenning the hatchets," said Jack. "Everywhere I look I see grave uncertainty. Never before have I stood at the edge of a volcano like 1992. Survival is the only game in town." Sheikh Walli said that he was downsizing his racing empire fast because of less-than-\$15 oil, while Lady Catherine announced that she was firing staff.

"Cook's gone, and the assistant gardener. What a dire, dire mess. Is civilisation ending? If it were not for my chauffeurs I would be utterly bereft."

The next friend to greet us was Rory d'Aviguld-Teaze, the theatrical impresario, accompanied by Penelope Powdermaker, the hot-shot media interviewer. Both of those were downcast, as was the trio of image-builders who came to our table next: Ron Manworthingtham, psychologist, Juliet Fetherbrayne, London's highest-paid PR, and Micky Muff, founder of the post-punk school of English cooking.

Micky's restaurant has closed. Juliet's PR consultancy is up to its spangled neck in debt. Ron's business has evaporated. Rory reckons that only 17 new Andrew Lloyd Webber musicals can save London's theatreland from doom. And Penelope Powdermaker said there was no one left to interview. "No one, that is, no man," been interviewed to death or isn't hideously compromised and tainted by the foul-ups of the 1980s."

Just before midnight, Wayne Talant, gaunt, groomed, 28-ish, slipped into the spare seat at our table. "Thought I'd never make it. London's jammed, innit? So what about '92, Mike? You with all your cred. Must have heard sumthin'." Wayne is the younger brother of Keith Talant, the darts-playing Welsh London racketeer of Martin Amis's novel, *London Fields*.

"No, Wayne. I haven't. How about yourself?"

"The word on the street," said Wayne, "is that everything's breaking up. It's all crashing down. The universe is dying. So I'm doing a bunk. In five hours' time I'll be aloft in first-class, winging me way to Sarawak. I'm going to ground, Mike, as far away from bother as money can get." And that, he was gone.

It was midnight. I said to Miss Lee: "Now I know we're in deadly trouble. Happy New Year, Miss Lee. I think we should ring the stroke."

Journalist Francis Jay, who is researching a film with the working title "Great Thinkers of the Age of Glasnost," is now posing as a Russian. Accompanied by the mysterious Hungarian woman Lidiko Hazy, he is still on the trail of the enigmatic philosopher Dr Bazlo Criminale as he tries from conference to conference. Their paths finally cross on a Swiss lake steamer, which is playing host to the exotic delegates of an international congress on erotica in photography. Dr Criminale, who is in the company of the beautiful Miss Belli, is one of the speakers. In this second extract from Malcolm Bradbury's new novel, Jay enjoys his first real meeting with the Gatsby-esque Criminale...

I WAS beginning to learn quite a good deal about congresses and conferences, as anyone would whose task was to follow in the footsteps of Doctor Bazlo Criminale. I had certain half-formed thoughts on the subject which might in fact have made quite a good paper, if they ever decided to hold a conference on the topic of conferences (and I have no doubt that sooner or later they will).

In one sense all congresses are like each other: they all have lapel badges and briefcases, banquets, trips, announcements, lectures in the congress hall, intimate discussions in the bar. In another sense every congress, like every love affair (and the two are often closely connected), is different. There is a new mix of people, a new surge of emotion, a new state of the state of the art, a new set of ideas and chic philosophies, a changed order of things. There are congresses of pleasure, congresses of reason and congresses of emotion.

In this simple scale of things, the Lausanne International Congress on Erotica in Postmodern Photography - which, standing in the entrance of the ship's saloon, I began, Lidiko beside me, to inspect - was pretty clearly a congress of art, pleasure, and emotion. The photographers of Lausanne, who numbered about eighty strong and had come from everywhere, were clearly a group of ego-fondling extroverts. Writers are sometimes inclined to let their work do the talking; photographers have to let their talking do the work.

Yes, they were a flamboyant crowd. One woman was bare-breasted. One man wore a Napoleonic uniform. Many had cross-dressed: several of the men had on what looked like chiffon bedroom wear, and several of the women were clad in ties, tweeds or dress shirts and dinner jackets. They had a hand on board, so they began to dance. There was a bar on board, so they began to drink. There was finer food on board, so they began to snack. There were celebrities on board, so they started celebrating. There were evidently illegal substances on board, so they began to dream. There were lips and breasts and buttocks on board, so they began to neck and fondle and nuzzle and suck. They were beautiful people, and they knew they were, so they started to do beautiful and outrageous and infinitely photographable things. They also photographed themselves doing them, making their circle of unreality complete.

But amid all this giddy excitement there was a certain pool of calm, sanity and metaphysical reason. I surrounded, of course, Bazlo Criminale.

We wandered round the ship and at first we could not find him. Then there he was, sitting at a table in a corner of the rear saloon. He wore a Ralph Lauren sport shirt under his suit, and his hairstyle had been slicked down in the style of a Thirties seducer. Belli, beside him in her bright orange dress, chattered, flirted, and constantly touched him on the arm. And in a crowd of flamboyant celebrities, he seemed somehow to be the true celebrity, as perhaps the constant flash of cameras insisted. I saw now how Criminale and *People* magazine could somehow go together.

But he was still the hardy philosopher. A crowd had gathered round, listening to what he was saying. I stood on the fringes and caught some of it. "I read in the newspaper today a very interesting thing," he was remarking. "Always first in the morning when he wakes he reads the newspapers," explained Miss Belli. "I see the Japanese have now invented a special new toilet, the Happy Stool," said Criminale. "It takes what you drop in the bowl each morning and at once makes a medical diagnosis of it." "Bazlo, caro, you are disgusting," said Belli. "In goes your effluent, out from a slot in the wall comes your health report," said Criminale ignoring this. "Too much vodka last night, sonny, now look what you have done with your cholesterol. Maybe even a needle comes into your rump and puts the matter right."

"Bazlo caro, eat something," said Miss Belli, pushing forward a tray of canapés. "All this blasted lovely food and you don't take any!" "After I read this, how can I eat



## Dr Criminale, I presume?

The final instalment of Malcolm Bradbury's new novel

something?" asked Criminale. "You see what it means, there is no secret anywhere any more."

I was still out there on the cold deck, watching the Swiss lights flicker on the shore, when someone came and leaned on the rail beside me. I turned, and there was a neat young man with a small beard, with a congress briefcase tucked under his arm. There then followed a familiar conference ritual, which resembles that of dogs sniffing each other: I checked his lapel badge, he checked mine. I saw that he was Hans de Graef, from Ghent, somewhere in Belgium.

He began addressing me in Russian. I had to explain that since my departure from wherever I lived I had perfected my English so effectively that I had now lost touch with my Russian. He seemed, I thought, a little suspicious, but began talking to me about the day's congress proceedings, especially the intense discussion of the Feminist Non-Erotic Nude in Scandinavia, which had provoked such fury right after lunch. I must have acquired myself quite well on this, though, because he switched to more general conference gossip, which provided me with a good deal of useful information.

I shifted the talk, or maybe he did, to Bazlo Criminale. Had he, I enquired, been a sudden new addition to the congress programme? No, he said, glancing at me in obvious surprise; he had been in the congress information from the very beginning. In fact that was why he, de Graef, had chosen himself to come. He was, after all, the leading thinker in the field. I nodded, explaining that I myself had been a very late enrollee. But his news came as a considerable surprise. Criminale had not, as I had been supposing, suddenly descended at whim on the conference, like some god from heaven deciding to lower his golden car.

It now began to occur to me that, having totally failed to understand Lidiko, I had also totally failed to understand Bazlo Criminale as well.

In fact from that moment onward, the things I thought I had understood began to grow ever more obscure.

Just behind the two of us, in the saloon, the band was going through its eclectic repertoire, which seemed to range from "Mandrill, Ma Belle" to the latest Madonna hits. The decks of the vessel bounced; the erotic photographers were clearly in the best of spirits. Then, glancing through the port, I suddenly caught another, momentary glimpse of Bazlo Criminale. He was twirling and turning in a stiff and stately waiter rather surprisingly, since the band was playing something entirely different. I couldn't from this angle, see his dancing companion, though the dress in his arms was clearly not the bright orange garb of Miss Belli. And there was a moment, though it made no sense to me at all, when I actually thought the partner in his arms was

and saw, to my complete surprise, that it was Bazlo Criminale. To this day, I have no idea whether - as we stood there on the cold deck of the steamer on Lake Geneva, leaning over the side like two passengers on a transatlantic liner, very probably doomed - Bazlo Criminale recognised me, or whether I was some obscure grey figure in the darkness to whom he by chance began to talk. If he had some idea who I was, he certainly showed no surprise at seeing me there.

Perhaps, given that he lived in the higher realm of thought, to him one congress was as like another, one congress face so like another, maybe even one congress lover just like another, and every situation merged into one. Maybe his reaction was somewhere between the two: he knew me, and he didn't know me; I was both satisfyingly familiar and totally obscure. He was

They were beautiful people, and they knew they were, so they started to do beautiful and outrageous and infinitely photographable things

Lidiko, who was so determined not to speak to him.

But just then we were both interrupted by a very physical-looking young Frenchwoman - she was strapping, entirely bald, and wearing what seemed to be a bathing dress; in fact in every detail except the grease she appeared indistinguishable from an Olympic swimmer - who came over to us, seized young de Graef and demanded he come to the dance floor.

He smiled at me apologetically - I rather gathered that this was exactly what he had come out on to the deck to get away from - and then I was left alone again, leaning over the rail, seeing the lighted streets and towers of a reasonably-sized lakeside town come out of the darkness ahead. Then a moment later, someone else joined me by the rail, puffing somewhat, wiping his brow with a handkerchief. I turned,

the elephant, I was the flea - that very convenient thing, the quiet young man who was interested in him but in no way represented a rival or a threat. At any rate, there I was, and he began to talk.

"You don't dance, I see," he said, wiping his sweating brow. "Perhaps I should admit myself I am too old for this kind of thing." "Oh, surely," I said. "You know, when I was young, sex was such a wonderful discovery," he said. "My young friend, I will tell you something important, but it will take you a long time to believe it. When you reach a certain age these things cease to be a great discovery and turn into a bad habit."

"Is that possible?" I asked. "These people there talk all day about the erotic," said Criminale, waving his hand back toward the dancing photographers. "They are like chefs who spend all their time thinking

about food but have forgotten what it is like to eat it. But believe me, when you are over fifty, and I am quite a long way past it, sex is like meat, only worth taking if there is a certain sauce with it." "What kind of sauce?" I asked. "In my case it is power," said Criminale. "The erotic for me has always something to do with power. A woman to please me must always have a certain grip on power."

I found this bewildering. Did the bewitching Miss Belli have a certain grip on power? She didn't seem the Jackie Kennedy or Joan Collins type to me. "No, sex is not so amazing," Criminale went on. "It is what we confuse ourselves with on the way to something better. It misdirects us and empties us. It is our unfortunate necessity, our incontinence, our error, our folly. Now the women don't want it anyway."

"That's very depressing," I said, thinking that if this was his current state of mind it must be still more depressing for Miss Belli.

I suppose fame is erotic," I said. "But let me warn you, the love life of celebrities, which fills up all the newspapers, is never quite what it seems," said Criminale. "The image is a deception. The description is nothing like the reality. Celebrity is a public delusion for which the world will make you pay. And now where in the world have we got to?" "Where in the world?" I asked. "I thought at first he was posing me some philosophical question, but he waved his hand grandly at the lake in front of us. 'Oh, on the lake,' he said. 'I think these lights must be Vevay.' 'Ah, yes, Vevay,' said Criminale. 'Once the exile home of a very great man.' 'Oh yes?' I asked. 'Charlie Chaplin.' He said, 'Do you know Adolf Hitler's men had strict orders that the Fuhrer must never watch his movies, for the fear that he might think the fool he was watching up there on the screen was himself.' 'No, I didn't,' I said. 'Those two were born in the same year, 1889, by the way,' he said. 'Think of it, Hitler and Chaplin, the Fascist and the clown...'

Malcolm Bradbury's new novel, *Dr Criminale*, will be published by Secker and Warburg in September 1992.